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TESTIMONY OF ROBERT C. McFARLANE, GASTON J. SIGUR, Jr., and ROBERT W. OWEN

JOINT HEARINGS

BEFORE THE

HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

AND

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

ONE HUNDREDTH CONGRESS

FIRST SESSION

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MAY 11 12, 13, 14, AND 19, 1987

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HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

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JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Testimony of Robert C. McFarlane

MONDAY, MAY 11, 1987

House Select Committee To Investigate
Covert Arms Transactions With Iran
and
Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition,
Washington, DC.

The select committees met, pursuant to recess, at 10:05 a.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman **Hamilton**. The joint hearings of the House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition will come to order.

Our witness this morning is Mr. Robert Carl McFarlane, the former National Security Adviser to the President.

Mr. McFarlane, we welcome you to the committee and we look forward to your testimony.

Would you stand, please, to take the oath.

[Witness sworn.]

Chairman **Hamilton**. Thank you. You may be seated.

Do you have a statement, Mr. McFarlane?

Mr. **McFarlane**. Yes, I do, Mr. Chairman.

Chairman **Hamilton**. Please proceed.

TESTIMONY OF ROBERT CARL MCFARLANE, FORMER ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

Mr. **McFarlane**. Thank you, sir.

In the 6 months since the Iran-Contra controversy erupted, many people have come to think there is something wrong with the way this country makes foreign policy. They probably don't know how wrong.

True, the Nation's foreign policymaking apparatus does produce its share of success. Failures like those in the Iran-Contra affair do not happen every day. But on any policy issue where party or ideological interests diverge substantially, the system is becoming increasingly subject to incoherence or paralysis.

There is enough blame to go around in all of these matters now under investigation. I have been and remain willing to shoulder my part of it. One matter which weighs most heavily on my mind is that, when Congress inquired about administration support for the Contras in 1985, my own response was too categorical. I was not sufficiently probing or self-critical.

This has been and remains for me a matter of remorse, even anguish, and for many reasons. My father sat in the House of Representatives as a Representative from Texas. I myself worked in the Senate; and I believe deeply that executive branch collaboration with Congress is crucial to the successful formulation and implementation of American foreign policy.

Individual mistakes—including my own—should, of course, be identified. But a solution to the fundamental problems that led to these investigations will require much more: It will require reform of institutions and processes, and most important, it will require changes in the attitudes and behavior of the men and women who hold and exercise public power.

The current investigation can serve the public interest if we use it to examine the fundamental causes of our recurring troubles in foreign policy decisionmaking.

All of us involved in these hearings have a duty to make good use of that chance. Although it is painful for me to appear here and to revisit these events, I do so in recognition of a duty and in the hope that it will promote understanding and help in finding a remedy.

I have talked in public repeatedly about Iran in the past weeks. I anticipate many questions from the committee understandably on that subject. But if you indulge me a few minutes to talk now about the issue of Nicaragua in the early days of the Reagan administration, we will pursue that first.

In the mid-1970s, the Soviet Union reached a historic milestone when it achieved a condition of approximate nuclear parity with the United States. At about the same time we reached a milestone of another, sadder sort in the devastating trauma of Vietnam. The combination of these two events made the Soviets more willing to take risks to expand their influence in key developing countries.

They moved cautiously but persistently, sometimes directly, but often relying on surrogates such as Cuba and Vietnam.

As a result, from 1975 to 1979, they were able to establish a prevailing influence in a breath-taking number of countries, including Angola, Ethiopia, South Yemen, Cambodia, Afghanistan, Mozambique, and Nicaragua.

For a while in the 1980s, bipartisan support for a renewal of American military strength and the frequent change in the Soviet leadership combined to check the pace of their advance. It is my belief that for various reasons we can look forward to another 3 to 5 years of relative calm in U.S.-Soviet relations. But the time will come when the Soviets will turn once more to foreign adventures and seek to duplicate their earlier successes.

By that time, it is essential that we achieve a national consensus for dealing with this fundamental problem: How will we defend against Soviet expansion into countries ever closer to vital U.S. and allied interests?

For 6 years, both the executive branch and Congress have, time and again, failed to seize the opportunity to define the Central American problem, develop a strategy for dealing with it, and, through vigorous public discussion, stimulate public support for deliberately chosen policies.

Let me treat first the executive branch and its mistakes. Where did we go wrong in our handling of U.S. policy toward Nicaragua? To understand the roots of this failure, let's start at the beginning, in January 1981.

As President Reagan took office, Secretary of State Alexander Haig sought to have the President establish a comprehensive foreign policy decisionmaking system.

As the President preferred, the system relied predominantly on Cabinet officers, in this case the Secretary of State rather than the more centralized management that had been attempted by other administrations in the White House.

The system was designed to generate alternative approaches to achieving basic aims, to consider the options that emerged, make the decisions among them, and implement the chosen policies.

The process provided for consultation with Congress and with experts in the political and career bureaucracies.

Secretary Haig's proposals were held up for a year, however, and not implemented until February 1982. And it was during this period, and in this policy vacuum, that the United States took its first step toward pursuing a covert policy in Nicaragua.

A thorough and concerted analysis of our Nicaraguan problem would have produced a clear definition of U.S. interests in Nicaragua; an identification of threats to those interests; a listing of the U.S. and allied resources at our disposal; a laying out of the political, economic, and military options, also to include therein the cost of doing nothing; and finally, a clear statement of the opportunity costs that we would have to bear in others parts of the world if we pursued each of these options.

But this type of fundamental governmentwide analysis was never made. Therefore, in December 1981, when the CIA presented a proposal for initiating covert action in Nicaragua, there was no framework within which to analyze it.

It is immensely important to recognize just how crucial the absence of such a framework proved to be. For example, a systematic analysis would have evaluated the importance our actions toward Nicaragua would assume in subsequent Soviet decisionmaking.

There is little doubt in my mind that, if we could not muster an effective counter to the Cuban-Sandinista strategy in our own backyard, it was far less likely that we could do so in the years ahead in more distant locations.

There is a corollary to that proposition. For if we did prevail in Nicaragua, the precedent might go far toward inhibiting Soviet pursuit of this strategy in other areas.

In short, there was a powerful—and to many, persuasive—case that to lose in Nicaragua would invite the Soviets to step up their investment in aggression significantly in other developing nations of the world.

We had to win this one. And this is where the administration made its first mistake. For, if we had such a large strategic vehicle, it was clearly unwise to rely on covert activity as the core of our policy.

There are two basic reasons for this. The first is, that you can never achieve a sufficient level of resources through a covert policy to cope with a determined effort backed by the Soviet Union.

The Congress views covert actions—properly, in my judgment—as an instrument to be used with great selectivity as an adjunct of policy, not as its foundation, and surely not as a vehicle for waging war with a Soviet proxy.

The other reason for not making covert action the core of policy is that you cannot get public and Congressional support for such a policy. If you decide to engage in conflict with a Soviet client in whom the Russians are prepared to make a substantial investment, you must have the American people and the U.S. Congress solidly behind you.

Yet, it is virtually impossible, almost as a matter of definition, to rally public support behind a policy that you can't even talk about.

I think it is safe to say that no one making these important decisions in the Reagan administration viewed covert action as the best way to pursue our aims in Nicaragua. People turned to covert actions because they thought they could not get Congressional support for more overt activities.

But they were not forced to think systematically about the fatal risks they were running. In 1982, Judge William Clark became the President's National Security Adviser. He established a decision-making system promptly, and this was the moment to reopen the matter of U.S. policy toward Nicaragua and provide the clarity that had been missing when the covert action policy was initiated.

But other issues intervened—arms control, the Falklands war, the Caribbean Basin Initiative—and the question of Nicaragua was not reopened. Thus, in 1983, 2 entire years into the administration, with the State Department finally having full authority and responsibility in the area, there was still no real, operative analysis of what U.S. policy toward Nicaragua ought to be.

In the summer of 1983, largely out of frustration, Judge Clark reached out to experts in the private sector and formed the bipartisan Kissinger Commission, which devoted the next 6 months to undertaking—at long last—a thorough examination of our interests in Central America, the threat to those interests, and options for the achievement of our goals.

By this time, however, because of the apparent drift in the administration, Congress had already imposed a ceiling of $24 million on U.S. support for the anti-Sandinista forces in fiscal year 1984.

The Kissinger Commission's report was almost universally well received. It called for a policy for the region based upon economic development, to be funded by a 5-year aid program totaling $8.2 billion. Congress responded enthusiastically to this section of the report's recommendations. Before the August recess in 1984, Congress appropriated the first $1.1 billion of the 5-year plan.

The Kissinger report had also identified the threat posed by Soviet-sponsored subversion from Nicaragua and provided a framework for dealing with it, to include support for the anti-Sandinista forces. This part of the problem was ignored by the administration and by Congress, both of which were preoccupied with the 1984 approaching elections.

The anti-Sandinista Program survived only because a foreign government contributed money to provide subsistence expenses through the end of the year. In fact, the Congress, before it adjourned in October 1984, prohibited any direct or indirect expenditures for the support of military or paramilitary activities in Nicaragua.

I was by that time the National Security Adviser and Central America was one of the issues with which I had to deal. It was clearly of concern to the President. In my judgment, success in Central America depended upon two factors: there had to be conditional or continued congressional support for the Kissinger plan, which by then had been renamed the Jackson Plan after the late Senator Henry Jackson, a plan which would lead gradually to economic stability in the countries surrounding Nicaragua.

Also, though a foreign government was once again providing short-term subsistence aid to the anti-Sandinista forces, it was essential that we take the Nicaragua policy into the open in an effort to gain public support for aiding the anti-Sandinistas at much higher levels.

At the time I thought that 1985 was going to be a critical year of testing for the Contras. Since their formation in 1982, they had increased to about 12,000 troops, but had not demonstrated the two qualities without which there is no hope of success. First, the Contras had to produce a political leadership promoting a program with authentic appeal to the general population, and, second, the Contras had to demonstrate sufficient competence on the battlefield to create a sense of threat within the Sandinista Government.

In January 1985, I thought it was very uncertain that the Contras would ever acquire these capabilities, and I said so in a meeting with Adolfo Calero, in January of that year. If they could not show these two critical qualities, I thought we owed it to them and to ourselves to cut both our losses and theirs and thereby changing our strategy to a more overt combination of U.S. force and U.S. diplomacy.

In the meantime, the President repeatedly made clear in public and in private that he did not intend to break faith with the Contras. He directed that we continue—make continued efforts to bring the movement into the good graces of Congress and the American people and that we assure the Contras of continuing administration support—to help them hold body and soul together—until the time when Congress would again agree to support them.

Congressional restrictions made it impractical for either the Defense Department or the Central Intelligence Agency to function even as a liaison with the Contras. The State Department has always been disinclined to be associated with a covert action.

But the President had made clear that he wanted a job done. The net result was that the job fell to the National Security Council staff. I think it is fair to say that this occurrence was not an example of an NSC staff eagerly grabbing power from other departments and agencies. In the case of the Contra operations, it was the NSC that was the agency of last resort. And it was not the right agency, as subsequent history clearly revealed.

To carry out the President's wishes, I relied on two staff officers, Donald Fortier, now deceased, Director of the Political Military Affairs Division, and one of his deputies, Lt. Col. Oliver North, whose existing responsibilities included Latin American military affairs.

I told Mr. Fortier, who had long, long experience in legislative relations, to oversee the effort to gain Congressional support.

I told Colonel North two things. The first was to be a visible sign of the President's strong personal support, to show the Contras that they would not be forgotten or abandoned, even though we could not provide them with financial support.

The second, more specific responsibility I gave Colonel North was to help the Contras in their efforts to become a real political movement, genuinely respecting democratic principles and human rights.

I did make a special point of stressing to my staff that we were to operate at all times within the law, and that in particular we were not to solicit, encourage, coerce or otherwise broker financial contributions to the Contras. I took this to be the Congress's foremost concern, from having worked with many people involved in the drafting of legislation in the months before.

In this instance, as in all others, the rule of law had to govern national policy, as well as our actions in support of it.

The aspect of administration support that has attracted the most attention is the question of funding for the Contras from private sources. At the time—as today—there was, in my judgment, no need to find additional funds. The support needed to sustain them in the short run—1985—was coming from the foreign government that had made a contribution in mid-1984 and then doubled it in 1985.

As for the long run, it was clear that we could not permit the Contras to continue to live off this kind of support. To do so would be to ignore the fact that, as in the case of Vietnam, divisions at home are a recipe for failure and—more is the point—when the President and the Congress cannot agree, to charge ahead is to invite disaster.

In the early months of 1985 the climate began to improve. Largely through the efforts of Colonel North, the Contra leadership accepted the necessity of adding respected political figures to their movement and of turning their attention to developing a peace proposal.

This proposal, in which the Contras offered to lay down their arms in exchange for negotiations with the Sandinistas and eventual Contra participation in the political process, was announced in San Jose, Costa Rica, on April 1st of 1985. It was well received everywhere except in Managua.

Soon afterward, President Reagan also offered a compromise plan which called for suspending U.S. military aid to the Contras for as long as negotiations were underway.

The measure failed, but sentiment within the Congress was shifting. After Nicaraguan President Daniel Ortega's trip to Moscow, the House reversed its position on support to the Contras.

In August, Congress gave this administration permission to provide intelligence to Contra forces. In December came authority to advise them on everything except tactical military operations. But the shift by Congress came late, just as essential planning by the executive branch had come late, and the cost was heavy, not only to the effectiveness of our overall plans but also to the institutions of the U.S. Government that had become involved in managing this confused and contradictory policy.

People simply cannot carry out policy under the conditions that I have described. If you try to make them do so you have produced conflicting allegiances, lack of communication, and blurring of essential lines of authority and responsibility.

I regret, and I will continue to regret, the mistakes that I have made. But I must say this: Policymakers who create conditions like this must bear some of the moral responsibility for the failures that follow.

We need trust, we need a willingness once more to forge bipartisan coalitions that can govern responsibly. We need this incident, perhaps, to shock us into realizing our short-sighted behavior can well take the country to the brink of disaster.

Finally, we need to see that present practices threaten to destroy our position of leadership among allies and put at risk even our ability to provide for our security.

I would, if I could, Mr. Chairman, to close with just a very brief personal statement.

From the day in December when I first testified before the Senate Select Committee on Intelligence until today, I have been treated with unfailing professionalism and civility by Members of Congress, Senators, their counsel and staff colleagues, and by the independent counsel and his staff. From the beginning, I understood the importance of the matters that were the subject of this large and complex national inquest.

I welcome the opportunity to discharge my duty as a public official, to render to the best of my ability a true and full account of my knowledge of the transactions in which I was involved. I will continue in that spirit during my testimony before this committee today.

Thank you, sir.

Chairman **Hamilton**. Thank you very much, Mr. McFarlane for your statement and the spirit in which it was given.

Questions will begin with the counsel, Mr. Liman.

[The statement of Mr. McFarlane follows:]

STATEMENT OF THE HONORABLE ROBERT C. MCFARLANE

In the six months since the Iran-Contra controversy erupted, many people have come to think there is something wrong with the way this country makes foreign policy. They probably don't know *how* wrong. True, the nation's foreign policymaking apparatus does produce its share of success. Failures like those in the Iran-Contra affair do not happen every day. But on any policy issue where party or ideological interests diverge substantially, the system is becoming increasingly subject to incoherence or paralysis.

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Individual mistakes—including my own—should of course be identified. But a solution to the fundamental problems that led to these investigations will require much more: It will require reform of institutions and processes, and, most important, it will require changes in the attitudes and behavior of the men and women who hold and exercise public power. The current investigation can serve the public interest if we use it to examine the fundamental causes of our recurring troubles in foreign policy decisionmaking. All of us involved in these hearings have a duty to make good use of that chance. Although it is painful for me to appear here and revisit these events, I do so in recognition of this duty and in the hope that it will promote understanding and help find a remedy.

I have talked in public repeatedly about Iran. I anticipate many questions from the Committee on that subject. But allow me a few minutes to talk now about the issue of Nicaragua in the early days of the Reagan administration.

In the mid-1970s, the Soviet Union reached a historic milestone when it achieved a condition of approximate nuclear equivalence with the United States. At about the same time we reached a milestone of another and sadder sort in the devastating trauma of Vietnam. The combination of these two events made the Soviets more willing to take risks to expand their influence in key developing countries.

They moved cautiously but persistently, some times directly yet often relying on surrogates such as Cuba and Vietnam. As a result, from 1975 to 1979, they were able to establish a prevailing influence in a breathtaking number of countries, including Angola, Ethiopia, South Yemen, Cambodia, Afghanistan, Mozambique, and Nicaragua.

For a while in the 1980s, bipartisan support for a renewal of American military strength and the frequent changes in senior Soviet leadership checked the pace of their advance. It is my belief that for various reasons we can look forward to another three to five years of relative calm in U.S.-Soviet relations. But the time will come when the Soviets will turn once more to foreign adventures and seek to duplicate their earlier successes.

By that time it is essential that we achieve a national consensus for dealing with this fundamental challenge: How will we defend against Soviet expansion into countries ever closer to vital U.S. and allied interests?

For six years both the executive branch and Congress have, time and again, failed to seize the opportunity to define the Central American problem, develop a strategy for dealing with it, and, through vigorous public discussion, stimulate public support for deliberately chosen policies.

Let me turn specifically to the executive branch. Where did we go wrong in our handling of U.S. policy towards Nicaragua? To understand the roots of this failure, let's start at the beginning, in January 1981. As President Reagan took office, Secretary of State Alexander Haig sought to have the President establish a comprehensive foreign policy decisionmaking system. As the President preferred, the system relied predominantly on Cabinet officers, in this case under the Secretary of State, rather than more centralized management by the White House. The system was designed to generate alternative approaches to achieving basic aims, consider the options that emerged, make the decisions among them, and implement the chosen policies. The process provided for consultation with Congress and with experts in the political and career bureaucracies.

Secretary Haig's proposals were held up for a year, however, and not implemented until February 1982. And it was during this period, and in this policy vacuum, that the U.S. took its first steps towards pursuing a covert policy in Nicaragua.

A thorough and concerted analysis of our Nicaraguan problem would have produced a clear definition of U.S. interests in Nicaragua, an identification of threats to those interests, a listing of the U.S. and allied resources at our disposal, a laying out of the political, economic, and military options, and a clear statement of the opportunity costs that we would have to bear in other areas of the world if we pursued each of these options.

But this type of fundamental governmentwide analysis was never made. Therefore, in December 1981, when the CIA presented a proposal for initiating covert action in Nicaragua, there was no framework within which to analyze it.

It is immensely important to recognize just how crucial the absence of such a framework proved to be. For example, a systematic analysis would have evaluated the importance our actions toward Nicaragua would assume in subsequent Soviet decisionmaking. There is little doubt that, if we could not muster an effective counter to their Cuban-Sandinista strategy in our own backyard, it was far less likely that we could do so in the years ahead in more distant places.

There was a corollary to this proposition. If we did prevail in Nicaragua, the precedent might go far toward inhibiting Soviet pursuit of this strategy in other areas.

In short, there was a powerful—and to many, a persuasive—case that to lose in Nicaragua would invite the Soviets to step up their investment in aggression significantly in other developing nations of the world.

And this is where the administration made its first mistake. For if we had such a large strategic stake, it was clearly unwise to rely on covert activity as the core of our policy.

There are two reasons for this. The first is that you can never achieve a sufficient level of resources through a covert policy to cope with a determined effort backed by the Soviet Union. The Congress views covert actions—properly, in my opinion—as an instrument to be used with great selectivity as an adjunct of policy, not as its foundation, and surely not as a vehicle for waging war with a Soviet proxy.

The other reason for not making covert action the core of policy is that you cannot get popular and Congressional support for such policy. If you decide to engage in conflict with a Soviet client in whom the Russians are prepared to make a substantial investment, you must have the American people and the U.S. Congress solidly behind you. Yet it is virtually impossible, almost as a matter of definition, to rally the public behind a policy you cannot even talk about.

I think it is safe to say that no one making these decisions in the Reagan administration viewed covert action as the best way of pursuing our aims in Nicaragua. People turned to covet action because they thought they could not get Congressional support for overt activities. But they were not forced to think systematically about the fatal risks they were running.

In 1982, Judge William Clark became the President's national security adviser and established a decisionmaking system. This was the moment to re-open the matter of U.S. policy towards Nicaragua and provide the clarity that had been missing when the covert action policy was initiated.

But other issues intervened—arms control, the Falklands war, the Caribbean Basin Initiative—and the question of Nicaragua was not re-opened. Thus, in 1983, two entire years into the administration, with the State Department finally having full authority and responsibility in the area, there was still no real, operative analysis of what U.S. policy towards Nicaragua ought to be.

In the summer of 1983, largely out of frustration, Judge Clark reached out to experts in the private sector and formed the bipartisan Kissinger Commission, which devoted the next six months to undertaking—at long last—a thorough examination of our interests in Central America, the threats to those interests, and options for the achievement of our goals. By this time, however, because of the apparent drift in the administration, Congress had already imposed a ceiling of $24 million on U.S. support for the anti-Sandinista forces in Fiscal Year 1984.

The Kissinger Commission's report was almost universally well received. It called for a policy for the region based on economic development, to be funded by a 5-year aid program of $8.2 billion. Congresss responded enthusiastically to this section of the report's recommendations. Before the August recess in 1984, Congress appropriated the first $1.1 billion of the 5-year plan.

The Kissinger report had also identified the threat posed by Soviet-sponsored subversion from Nicaragua "and provided a framework for dealing with it to include support for anti-Sandinista forces." This part of the problem was ignored by the administration and by Congress, both of which were preoccupied with the approaching 1984 election. The anti-Sandinista program survived only because a foreign government contributed money to provide subsistence expenses through the end of the year. In fact the Congress, before it adjourned in October 1984, prohibited any direct or indirect expenditures for the support of military or paramilitary activities in Nicaragua.

I was by that time national security adviser, and Central America was one of the issues with which I had to deal. It was clearly of concern to the President. In my judgment, success in Central America depended on two factors. There had to be continued Congressional support for the Kissinger plan (by then renamed the Jackson plan after the late Senator Henry Jackson), which would lead gradually to economic stability; in the countries surrounding Nicaragua. Also, though a foreign government was once again providing short-term subsistence aid to the anti-Sandinista forces, it was essential that we take the Nicaragua policy into the open in an effort to gain public support for aiding the anti-Sandinistas at much higher levels.

At the time I thought that 1985 was going to be a critical year of testing for the Contras. Since their formation in 1982, they had increased to about 12,000 troops but had not demonstrated the two qualities without which there was no hope of success. First, the Contras had to produce a political leadership promoting a program with authentic appeal to the general population; and, second, the Contras had to demonstrate sufficient competence on the battlefield to create a sense of threat within the Sandinista government. In January 1985, I thought it was very uncertain that the Contras would ever acquire these capabilities, and I have said so in a meeting with Adolfo Calero, the senior Contra leader. If they could not show the critical qualities, I thought we owed it to them and to ourselves to cut both our losses and theirs by changing our strategy to a more overt combination of U.S. force and U.S. diplomacy.

In the meantime, the President repeatedly made clear in public and in private that he did not intend to break faith with the Contras. He directed that we make continued efforts to bring the movement into the good graces of Congress and the American people and that we assure the Contras of continuing administration support—to help them hold body and soul together—until the time when Congress would again agree to support them.

Congressional restrictions made it impractical for either the Defense Department or the Central Intelligence Agency to function even as a liaison with the Contras. The State Department has always been disinclined to be associated with a covert action. But the President had made clear that he wanted a job done. The net result was that the job fell to the National Security Council. I think it fair to say that this occurrence was not an example of an NSC staff eagerly grabbing power from other departments and agencies. In the case of the Contra operations, the NSC was the agency of last resort. And it was not the right agency, as subsequent history clearly revealed.

To carry out the President's wishes, I relied on two staff officers—Donald Fortier, director of the political-military affairs division, and his deputy, Lieutenant Colonel Oliver North, whose existing responsibilities included Latin American military affairs.

I told Mr. Fortier, who had long experience in legislative relations, to oversee the efforts to gain Congressional support. I told Col. North to do two things. The first was to be a visible sign of the President's strong personal support, to show the Contras that they would not be forgotten or abandoned even though we could not provide them with financial support. The second, more specific responsibility I gave Col. North was to help the Contras in their efforts to become a real political movement, genuinely respecting democratic principles and human rights.

I did make a special point of stressing to my staff that we were to operate at all times within the law and that in particular we were not to solicit, encourage, coerce, or otherwise broker financial contributions to the Contras. I took this to be the Congress' foremost concern. In this instance as in all others, the rule of law had to govern national policy as well as our actions in support of it.

The aspect of administration support that has attracted the most attention is the question of funding for the Contras from private sources. At the time—as today—there was in my judgment no need to find additional funds. The support needed to sustain them in the short run was coming from the foreign government that made a contribution in mid-1984 and then doubled it in 1985. As for the long run, it was clear that we could not permit the Contras to continue to live off this kind of aid. To do so would be to ignore the fact that, as in the case of Vietnam, neither the administration nor its friends could gain the support of the American people or the Congress.

In the early months of 1985 the climate began to improve. Largely through the efforts of Col. North, the Contra leadership accepted the necessity of adding respected political figures and of turning their attention to drafting a peace proposal. This proposal, in which the Contras offered to lay down their arms in exchange for negotiations with the Sandinistas and eventual Contra participation in the political process, was announced in San Jose, Costa Rica on April 1. It was well received everywhere except in Managua. Soon afterwards President Reagan also offered a compromise plan, which called for suspending U.S. military aid to the Contras for as long as negotiations were under way.

The measure failed, but sentiment within the Congress was shifting. After Nicaraguan President Daniel Ortega's trip to Moscow, the House reversed its position on support to the Contras. In August, Congress gave the administration permission to provide intelligence to Contra forces. In December came authority to advise them on everything except tactical operations.

But the shift by Congress came late, just as essential planning by the executive branch had come late. And the cost was heavy, not only to the effectiveness of our overall plans but also to the institutions of the U.S. government that had become involved in managing this confused and contradictory policy.

People simply cannot carry out policy under the conditions I have described. If you try to make them do so you will produce conflicting allegiances, lack of communication, and blurring of essential lines of authority and responsibility. I regret and will continue to regret the mistakes I have made. But—I must say this—the policymakers who create conditions like this must bear some of the moral responsibility for the failures that follow.

We need a truce. We need a willingness once again to forge bipartisan coalitions that can govern responsibly. We need this incident to shock us into realizing that our short-sighted behavior could well take the country to the brink of disaster. Finally, we need to see that present practices threaten to destroy our position of leadership among the allies and put at risk even our ability to provide for our own security.

Mr. LIMAN. Mr. McFarlane, you have devoted almost 30 years of public service, is that correct?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You are a graduate of Annapolis, the class of 1958?

Mr. MCFARLANE. 1959, sir.

Mr. LIMAN. You chose to be commissioned in the Marines?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. You led the first combat unit into Vietnam?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. That was in Da Nang?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You were then sent to Switzerland for studies?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You became a White House fellow?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You were a military assistant to Henry Kissinger when he was National Security Adviser?

Mr. MCFARLANE. Yes, sir, I was.

Mr. LIMAN. You accompanied him on some of his trips to China?

Mr. MCFARLANE. Yes, sir, I did.

Mr. LIMAN. After Mr. Kissinger became Secretary of State you continued as a special assistant to Mr. Scowcroft as National Security Adviser?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You have authored a book on crisis management?

Mr. MCFARLANE. Coauthored, yes, sir.

Mr. LIMAN. And some papers on both nuclear parity and some strategy?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You retired from the Marines and went to work for the Armed Services Committee of the Senate?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And you worked there under Senator Tower?

Mr. MCFARLANE. Yes, sir, I did.

Mr. LIMAN. When the Reagan administration came in, you became counselor to the State Department, under Secretary Haig?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And in January of 1982, you returned to the National Security Council?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And at that time you became Deputy to Judge Clark who was the National Security Adviser?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. In January of 1983, there was added to your responsibilities the assignment of special envoy to the Middle East?

Mr. MCFARLANE. July, I believe, yes, sir.

Mr. LIMAN. And then in October of 1983, you became National Security Adviser?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And you continued in that position for approximately 2 years, until you submitted your resignation on November 30?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now, you have mentioned that you testified in many forums?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You have testified about these events before the Senate committees, House committees, the Tower Panel, the independent counsel; is that correct?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You have given a number of interviews?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. You have talked about the anguish of revisiting some of these events?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. About the tendency at the time to have gilded some of the motives?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And about the tricks that the mind plays in blotting out some unpleasant facts?

Mr. MCFARLANE. Correct.

Mr. LIMAN. And after all of this testimony you have now had an opportunity to look at your records, am I correct, many of them?

Mr. MCFARLANE. Some, yes, sir.

Mr. LIMAN. And do you think you can let it hang out here today; the facts?

Mr. MCFARLANE. I will do my best, sir.

Mr. LIMAN. Let's begin with the policy in support of the Nicaraguan resistance forces when you became the National Security Adviser, and I will refer to them just as short-hand as Contras. As I understand your statement, the President intended to have a cabinet system of policymaking of the type he had in California.

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And he contemplated that the lead would be taken by the State Department in coordinating points of view with other departments and presenting him with options, is that fair to say?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And there would be interdepartmental committees?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And that system just didn't work as it was intended to work?

Mr. MCFARLANE. That is a fair summary judgment, I think. In some areas it worked very well; as a general assessment, I would say it was largely ineffective.

Mr. LIMAN. And in the case of Nicaragua you have said in your statement a vacuum existed which the CIA failed?

Mr. MCFARLANE. It was a vacuum of broad analysis. It isn't that people didn't have strong opinions, they did, but they weren't integrated into an analysis that was absorbed by all and used as a basis for decisionmaking, no.

Mr. LIMAN. So that in 1981, our policy in support of the Contras became led and managed by the CIA?

Mr. MCFARLANE. The core of it, that is correct.

Mr. LIMAN. It was a covert as opposed to an overt policy?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And that was the system in effect when you became First Deputy to Judge Clark and then the National Security Adviser?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And the CIA was acting pursuant to a Presidential finding in supporting the Contras?

Mr. MCFARLANE. Yes, it was.

Mr. LIMAN. And the Presidential finding had been notified to Congress pursuant to law?

Mr. MCFARLANE. Yes, it had.

Mr. LIMAN. Now, do you recall that in October of 1983, just at about the time that you were assuming your position as National Security Adviser that Congress put some limitations on the funding of this program?

Mr. MCFARLANE. Yes, I do.

Mr. LIMAN. And just so that the record reflects it, the law that was adopted in the Defense Appropriations Act effective December 8, 1983 stated,

> During fiscal year 1984, not more than $24 million of the funds available to the Central Intelligence Agency, the Department of Defense or any other agency or entity of the U.S. Government involved in intelligence activities may be obligated or expended for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement or individual.

Do you recall that?

Mr. MCFARLANE. Yes, I do.

Mr. LIMAN. Now, is it fair to say that you recognize that the $24 million was not sufficient to support the Contras for the full fiscal year?

Mr. MCFARLANE. It was doubtful, yes, sir.

Mr. LIMAN. And that it was contemplated that you would go back to Congress to ask for more money?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And did some event happen in 1984 that led you to— led the administration to conclude that it was not feasible to seek more aid from Congress?

Mr. MCFARLANE. The disclosure that harbors had been mined in Nicaragua was received very badly, and not only on its merits, but for the lack of adequate sharing or briefing of the Congress concerning that intention, and it did, you are correct, have a very negative effect on the prospect for Congressional support of any additional funding that year.

Mr. LIMAN. Now, at that time, did you and others in the administration have to come up with another strategy for carrying out the President's policy of ensuring that the Contras would not be abandoned when the funding ran out?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And is it fair to say that you contemplated that that $24 million would run out by May or June of 1984?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now, did you speak to the Director of Central Intelligence about this?

Mr. MCFARLANE. All of the Cabinet officers involved, Secretaries of State and Defense, the Director of Central Intelligence, and I believe the Chairman of the Joint Chiefs, and people in the White House—myself, Chief of Staff, the Director of Legislative Affairs—would gather to consider, ostensibly to consider the prospect for Congressional change in attitude to support the supplemental money, the $14 million.

And all of us discussed the matter and concluded that that was virtually a zero probability, and no amount of wringing our hands was going to change that.

Mr. LIMAN. Did you come up with a plan for a third country to take over the assistance and management of the Contra effort?

Mr. MCFARLANE. There was never any concrete plan, either written or discussed orally in these meetings.

Mr. LIMAN. Was it a concept of yours, sir?

Mr. MCFARLANE. The possibility of third-country contributions I had thought of, that is correct. Others of the administration had also, and we had talked about it.

Mr. LIMAN. And what was the concept that you talked about?

Mr. MCFARLANE. At times, since existing law did not prohibit that, there was a hope that perhaps a short bridging of finance by another country, or more than one, would sustain the movement until the administration could make a better case and be more persuasive with the public and the Congress.

Mr. LIMAN. Did you have any discussion about the possibility of in effect farming out the whole Contra support operation to another country, which would not only provide the funding, but give it some direction?

Mr. MCFARLANE. There was some consideration of that.

Mr. LIMAN. And whose idea was that?

Mr. MCFARLANE. I believe it was probably mine.

Mr. LIMAN. Can we call that country, Country One?

Mr. MCFARLANE. Yes, that is correct.

Mr. LIMAN. And what did you do to pursue that idea?

Mr. MCFARLANE. I had been following a practice of having meetings with my counterpart from a number of countries, actually, to include Country One, and on the occasion of one of these periodic meetings and exchanges, I believe in the spring, February or March of 1985—4—5, in these exchanges, I had been asked by my counterpart in these meetings whether or not the United States could help it qualify for contracts in AID, oriented toward implementing the CBI, the Caribbean Basin Initiative, and the specific interest of Country One was qualifying for agricultural Contracts or water resource development, but basically on a very obvious, totally above-board contractual basis, because Country One is quite good at each of those problems.

They also acknowledged that they were good at police training, internal security forces, and I asked originally whether or not they had any interest or thought themselves qualified to instruct the Contras in basic tactics, maneuvers, and so forth.

My counterpart agreed to find out from his government, and before long, came back again to say that the government didn't believe that it could do that, and then before long, after that meeting in a followup session, one of my subordinates I tasked to provide my comment back to him, which was we understand, it is too bad, we are sorry about it, it won't be raised again, and that closed the matter with Country One.

Mr. **Liman**. Now, let's look at some documents with respect to Country One; could you turn to exhibit 29? Mr. Garment, do you have that?

Mr. **Garment**. Yes, sir.

Mr. **Liman**. Let me just read the pertinent portion. This is a memorandum from Mr. Casey to you. Am I correct?

Mr. **McFarlane**. Yes, it is.

Mr. **Liman**. And it says on the second page that it was handed to you on March 27. Do you see the second page?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And it was for your eyes only, and that you were requested to return your copy when you finished reading it?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And Director Casey wrote,

> In view of possible difficulties in obtaining supplemental appropriations to carry out the Nicaraguan covert action project through the remainder of this year, I am in full agreement with you that you should explore funding alternatives with——

and a blanked out portion relates to officials of Country One.

> I believe you thought of putting one of your staff in touch with the appropriate country officials should promptly be pursued.
>
> You will recall that the Nicaraguan project runs out of funds in mid-May, although additional monies are indeed required to continue the project in the current fiscal year, equipment and material made available from other sources ought in part substitute for some funding. We are therefore currently exploring two such alternatives.
>
> Please note, however, that we are unlikely to receive materiel assistance from these sources by mid-May.

And on number 3, or number 2, he says the first of these alternatives is acquiring from, and that is blacked out, with respect to the country involved. Now, am I correct in your testimony that you did in fact explore this with officials of Country One and got turned down?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And then you refer to the fact that you asked one of your assistants to carry a message to Country One after that?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And if you look at the next exhibit, which is exhibit 30, are those the instructions you gave to your assistant?

[The exhibit appears at p. 458.]

Mr. **McFarlane**. Yes, it is.

Mr. **Liman**. And your assistant was Mr. Teicher?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And those are dated April 20, 1984?

Mr. **McFarlane**. Yes, sir.

Mr. LIMAN. And am I correct, you said to him—and I am reading at the bottom—"As we discussed, please reaffirm to," and then the blank is the name of the official, "as he has already heard from" blank, and that is the name of an ambassador that, "one, we will not press them on the question of assistance to the Contras; two, it is an important matter to us and we face a temporary shortfall in goods."

What did "goods" mean?

Mr. MCFARLANE. Material of any sort.

Mr. LIMAN. "Three, we are, of course, very conscious of the vulnerability it would create for"—and the blank is Country One. And what did that mean?

Mr. MCFARLANE. That any country that associates itself with the United States and its policy may be criticized for that affiliation.

Mr. LIMAN. Did it also mean that if the facts were revealed to Congress, that the country might be criticized?

Mr. MCFARLANE. That, too.

Mr. LIMAN. "Four, if they should decide that they can help, it ought to be done bilaterally, although we would be pleased to provide a point of contact."

And, finally, "Five, please also let it be known that, in your view, I am a little disappointed in the outcome but we will not raise it further. Destroy this memo."

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And am I correct that after this message was delivered, Country One still didn't change its mind?

Mr. MCFARLANE. I didn't expect it to, no.

Mr. LIMAN. And you didn't raise it further with Country One?

Mr. MCFARLANE. No, I did not.

Mr. LIMAN. Now, that left you still with the shortfall in funding.

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And did you, in fact, succeed in obtaining money from another country, which we will call Country Two?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And would you tell the committee how that happened.

Mr. MCFARLANE. As was the case with Country One, I had the practice of meeting periodically, roughly quarterly, with counterparts or resident officials from various countries, with the knowledge of the Secretary of State and debriefings to him.

The meetings that I held with the official from Country Two occurred about quarterly at my office or at his, or at home, and in these meetings we would discuss an agenda that was fairly stereotyped, in this meeting and others, and they included foremostly the region of the world where this country was located, concerns it had about its relationship with the United States, hopes that it had about assistance we could provide, in some cases arms sales, and any of the dozen kinds of bilateral cooperation that was on his mind at the time.

I would respond to those. I would talk about some of our concerns about them and generally we would expand to talk about more distant countries and generally how the President was faring in his policies globally, politically, at home and abroad, and that routine I had done a number of times.

And I did again in the spring, summer of 1984, and did in fact make clear it looked as though we were heading for a defeat regarding Congressional support for the Contras, that it was almost inevitable that the administration would fail in getting any support for the Contras and, because of that, it would represent a substantial loss for the President.

Well, that was the extent of it. He weighed that, he agreed. He said he would like to think about it and did so, and within a matter of days, 2 or 3 days, contacted me and made clear that he intended to provide a contribution of $1 million per month, ostensibly from private funds that would be devoted to—as a humanitarian gesture—to sustenance of the Contras through the end of the year.

I should stress, I described it as it happened, and while there is no solicitation, cry for solicitation, in fact it was unmistakable in his own mind that my concern and my view of this impending loss would represent a significant setback for the President, and if anyone with any gumption could manage without being led or asked, then a contribution would have been welcome.

Mr. LIMAN. Now, did he place any restrictions on what the money could be used for?

Mr. MCFARLANE. Well, he stated that he was giving it as a humanitarian gesture and to enable Contras to live and get through the end of the year. I don't think he intended to foreclose how it was disbursed as long as the survival intended was achieved.

Mr. LIMAN. The survival was the survival of the Contras?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now, what did you do in the way of implementing his offer?

Mr. MCFARLANE. When he gave the decision to me that he had decided to do this, he said, how should I proceed? And I didn't know. At the time I should have simply told him that he could be in touch directly with the Contra leadership.

However, as a kind of noblesse oblige about trying to be forthcoming, I went back to my office, advised my deputy about it, contacted——

Mr. LIMAN. Your deputy being Admiral Poindexter?

Mr. MCFARLANE. That is right. Contacted Lt. Col. North and asked him to be in touch with the Contra leaders and to find out where the bank account was kept. And within a matter of a day, as I recall, Lt. Col. North came back and provided the name of the bank, its address and the Contras' account number for the bank in Miami, Florida, an American bank, and I provided that 3 by 5 card to the country, or to the person of Country Two, and that was the last that I had heard of it.

Mr. LIMAN. Now, did you report this contribution to the President of the United States?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. How often would you meet with the President of the United States as National Security Adviser?

Mr. MCFARLANE. Normally at least once a day, and usually more often, but the date at 9:30 each morning always called for a national security briefing that normally tended on towards a half hour.

Mr. LIMAN. And when did you tell the President about this, and what did you tell him?

Mr. McFARLANE. I suspect it was within a day, not more than a couple of days, unless we were traveling, and in that meeting with the President, I provided to him in writing a note card which made clear that Country Two had chosen to volunteer from $1 million per month through the end of the year for Contras' subsistence, and after that meeting was over, I was called to come back and pick up the note card which, as I recall, it expressed the President's satisfaction and pleasure that this had occurred.

Mr. LIMAN. Did you do it by slipping a note card in there because you did not want to communicate it orally in the presence of others who were in the briefing meeting?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And who else was in that meeting that you did not want to disclose it to?

Mr. McFARLANE. Well, I took it in that way because there could be from as few as three or as many as ten people in the room. I simply didn't know for sure who would be there, although I could always expect Messrs. Meese, Baker, Deaver, the Vice President, my deputy, the President, and usually the action officer from the region of the world we had on our agenda.

Mr. LIMAN. Did you communicate to anyone else at that time besides Admiral Poindexter and the President that Country Two had made this contribution?

Mr. McFARLANE. I believe within a day or so, I also communicated it to the Vice President personally.

Mr. LIMAN. Did you communicate it to the Secretary of State at that time?

Mr. McFARLANE. I had a pattern of weekly breakfasts with the Secretaries of State and Defense, with the three of us, our deputies, and directors of Political-Military Affairs, usually, and at an early meeting on one of those Wednesdays following this episode, the question came up by one of those Cabinet officers and I drew them aside at the end of that breakfast and told them that it had been provided for through the end of the year; and neither gentleman pressed the matter further.

Mr. LIMAN. Did you tell them which country had provided for it through the end of the year?

Mr. McFARLANE. No, I did not.

Mr. LIMAN. Did either Secretary ask you which country provided it?

Mr. McFARLANE. No, they did not.

Mr. LIMAN. When you told them that it had been provided for, did you tell them that it had been provided for by a third country without naming that country?

Mr. McFARLANE. I am not absolutely certain, Mr. Liman. I believe so. I may have said it had been taken care of through the end of the year.

Mr. LIMAN. Now, you have told us that you got the number of the account from Colonel North?

Mr. McFARLANE. That is correct.

Mr. LIMAN. What was Colonel North's position at the time?

Mr. McFARLANE. He was a Deputy Director of the Political-Military Division of the NSC staff which at the time was headed by Donald Fortier.

Mr. LIMAN. What was the mission of that particular unit?

Mr. MCFARLANE. The Political-Military Division's scope included review of and coordination of the annual security assistance and foreign assistance budgets. It included analysis precedent to crisis and to supporting with staff support and analysis crises as they arose.

It also was the NSC point of contact for such interdepartmental ideas, problems, issues that might have emerged from the Defense Department, raised by the International Security Division, or the State Department, the counterpart, Political-Military Affairs Division of State.

But security assistance, crisis management were the basic central purposes—oh, and also terrorism.

Mr. LIMAN. Now, did Colonel North have some special responsibility with respect to the Contras?

Mr. MCFARLANE. Mr. Fortier had several deputies. I believe that there were four or five, and each of those deputies had a region of the world for which he was responsible, an Asian deputy, Latin America, which was Colonel North's billet, Middle East, and so forth.

That was Colonel North's portfolio. It included political-military affairs in Central and Latin America and terrorism.

Mr. LIMAN. Were you in regular communication with Colonel North on the subjects that he was responsible for?

Mr. MCFARLANE. I think a search would reflect that I was in touch with him, as with other staff officers, periodically. I would usually deal through my deputies, either Admiral Poindexter, the senior deputy, or Mr. Fortier, but I did see Colonel North often.

Mr. LIMAN. Indeed, is there any other officer of the NSC at his level who you had more contact with than Colonel North?

Mr. MCFARLANE. Well, the Director of Arms Control. That subject being where I spent most of my time. Probably spent about the same amount of time with him. I take your point. I spent a lot with Colonel North.

Mr. LIMAN. And Colonel North would both telephone you and meet with you, is that fair to say, on a regular basis?

Mr. MCFARLANE. Yes, he did.

Mr. LIMAN. Now, was he under the direct supervision of Mr. Fortier?

Mr. MCFARLANE. Yes, he was.

Mr. LIMAN. And what was Admiral Poindexter's role with respect to Colonel North, in terms of supervision?

Mr. MCFARLANE. Well, Colonel North's chain of command went through Admiral Poindexter; and for any matter he wanted to have decided or guidance received, he would go first to Admiral Poindexter. That might dispose of the matter.

If not, Admiral Poindexter would bring him on to see me.

Mr. LIMAN. But did he also have the ability where the matter was of some importance to just leapfrog that bureaucratic step and talk directly to you?

Mr. MCFARLANE. No. Normally, no. I expected him to have gone to the Admiral first.

Mr. LIMAN. Now, in October of 1984, what we have referred to as Boland 2 was passed; do you recall that?

Mr. McFarlane. Yes, I do.

Mr. Liman. And do you recall that that cut off all funds to the Central Intelligence Agency, the Department of Defense, or other agency or entity of the United States involved in intelligence activities that would have the effect of supporting directly or indirectly military or paramilitary operations in Nicaragua; do you recall that?

Mr. McFarlane. Yes, sir, I do.

Mr. Liman. Now before that, you have testified that the CIA was involved?

Mr. McFarlane. That is correct.

Mr. Liman. At this point, the CIA was taken out of it?

Mr. McFarlane. That is correct.

Mr. Liman. And in your statement this morning, you described that there was a vacuum that was filled by the NSC?

Mr. McFarlane. Yes, I did.

Mr. Liman. And how did that happen?

Mr. McFarlane. Well, as I say, the law expressly foreclosed even a liaison role for the CIA, or for the Defense Department. I interpreted it as well that the NSC was not to itself get involved in military or paramilitary activities or replicating the CIA function in those domains.

However, the President's very strong wish that we not break faith with the Contras, I interpreted to mean—and I think he was fairly explicit about it—that we were to try to demonstrate by our simple conviction and persuasion that he intended to do everything possible to reverse the course of the Congress, and get the funding renewed.

My instructions to my staff were, as I put them in the statement this morning—and it seemed to me that the mission was to win the vote the next time, and to do that, the Congress had to find the Contra movement a more appealing, legitimate movement oriented toward political goals, pluralism, and so forth.

So, with Mr. Fortier and Colonel North, I stated that the goal is to win the vote the next time; that is your job. Specifically, to help win the vote, let's try to expand the base of the Contra leadership to include acknowledged, credible, political figures in Nicaragua, and then work with those figures to get a stated set of goals that expressed that this was more than a rag-tag military outfit, but seriously looking for political accommodation in Central America, in their own country; and I did that.

Myself, I went then on a visit to the Central American area and visited each of the neighboring countries, but not Nicaragua. I did have a meeting with a Contra leader there, and the task of the staff then from that point forward in early 1985 was to focus their efforts on building the political credibility of the Contra movement.

Mr. Liman. Now, in your prepared statement this morning, you said that the President repeatedly made clear in public and in private—and in private, does that mean to you?

Mr. McFarlane. Yes, sir.

Mr. Liman. —That he did not intend to break faith with the Contras; that is correct, is it not?

Mr. McFarlane. Yes, it is.

Mr. LIMAN. He continued to make clear that he wanted to bring the movement into the good graces of the Congress and the American people, is that so?

Mr. MCFARLANE. Yes, it is.

Mr. LIMAN. And that we assure the Contras of continuing administration support to help them hold body and soul together until the time when Congress would again agree to support them.

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now whose term is this "body and soul together"—holding them body and soul together?

Mr. MCFARLANE. I don't know. It is my words there, but I did what expresses the sentiment of what the President directed me to do.

Mr. LIMAN. Now it says that you were to assure the Contras of continuing administration support to help them hold body and soul together until the time when Congress would again agree to support them. Tell us exactly what kind of support you were to assure the Contras of during this period when you were prohibited from spending any money to support them?

Mr. MCFARLANE. Well, basically it was smoke and mirrors. It was a matter of trying to demonstrate simply by the presence of a White House person, someone close enough to the President to achieve, simply by dint of that proximity, credibility with the Contra leaders and to make clear that you are going to have to make do money-wise on someone else. But the President, whose political influence is not insignificant, is going to make your cause a very high priority cause for himself, second or third on his foreign policy agenda.

But I also made very clear that this has to be done within the law and because I took the law to express what I had gotten personally from a number of members of Congress and the Senate, that we are cutting off money for the Contras, and we don't want any money raised for the Contras, and bring an end, really, to the Contra movement and campaign was their purpose through the purse string.

Mr. LIMAN. Now you gave instructions to Colonel North on what he was supposed to do?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. And did you tell Colonel North that unless the Contras became a credible military force, they would never gain political support in the Congress and among the American people?

Mr. MCFARLANE. Yes, sir, I did.

Mr. LIMAN. Did you tell Colonel North that he was to encourage them to become more credible on the battlefield?

Mr. MCFARLANE. Yes, sir, I did.

Mr. LIMAN. Did you put any limitations on what Colonel North should do with respect to the Contras?

Mr. MCFARLANE. Only to stay within the law and to be particularly careful not to be associated with or take part in any fundraising activities.

Mr. LIMAN. And did you tell him that he was not, as your statement indicates, to broker any contributions or solicit contributions or encourage contributions?

Mr. McFarlane. It became a kind of a litany of mine in staff meetings, "solicit, encourage, coerce, or broker." It was applicable to everyone on the staff.

Mr. Liman. And you understood that that was something that was prohibited?

Mr. McFarlane. I did.

Mr. Liman. And indeed, do you recall that in September of 1984, even before Boland went into effect, Colonel North asked your permission to try to raise money to replace the one Contra helicopter that they had that had been shot down?

Mr. McFarlane. I recall that, and at the time it seemed to me that that was probably not legal, and I wrote that on the paper and sent it back to him disapproved.

Mr. Liman. That was exhibit 30B where you said, "I don't think this is legal?"

[The exhibit appears at p. 461.]

Mr. McFarlane. That is correct.

Mr. Liman. So that to be clear, you understood that you could encourage them to show more military prowess, but that you shouldn't get involved in "solicitation of funds."

Mr. McFarlane. That is correct.

Mr. Liman. And there is no doubt at all in your mind that those instructions were given to Colonel North?

Mr. McFarlane. Clearly.

Mr. Liman. You were confronted with a problem, weren't you, as 1984 came to an end in terms of the funding of the Contras?

Mr. McFarlane. Yes, that is correct.

Mr. Liman. And you had received from Country Two funding of a million dollars a month to carry you through the end of December; is that so?

Mr. McFarlane. Yes, it is.

Mr. Liman. But you had no funding for 1985?

Mr. McFarlane. That is correct.

Mr. Liman. Country Two hadn't at that point said that it would continue the funding; am I correct?

Mr. McFarlane. It had not.

Mr. Liman. Congress had prohibited the funding?

Mr. McFarlane. That is correct.

Mr. Liman. There were no other countries that were running to give money to the Contras?

Mr. McFarlane. No, sir.

Mr. Liman. And you were aware that private fund-raising efforts were not creating enough money?

Mr. McFarlane. I didn't know, but I doubted it.

Mr. Liman. Now how was money raised in 1985?

Mr. McFarlane. The events of early 1985 on Central America, including my visit down there. I had been out of the country before that time with the Secretary of State at a meeting with Mr. Gromyko in Geneva. I was not devoting a lot of time to this issue, but I was coincidentally preparing for the visit of King Fahd.

I was also preparing for the visit of a number of other people, and I was seeking to make arrangements, as always preceding visits by various countries. In the runup to any of these meetings, you also always convene with the resident official here in Washington from various countries, and is a process of working out exactly what the itinerary will be—how many meetings, the agenda for the meetings, logistic arrangements and so forth.

And, in the course of a meeting which was coming up with Country Two in this period, I did this kind of routine with the resident official there and in the course of that, did not get into the nitty gritty of this problem that we had, assuming that Country Two's contributions would end or had ended, but it was clear that in the same general terms, we had discussed the President's agenda as we would translate it to his counterpart, Country Two's leader, that one of our problems would remain, as it had been before—the situation in Central America and funding for the Contras.

Again, I don't wish to pretend or be disingenuous. There was some solicitation per se, but I think on the list of concerns of this administration going into this visit coming up, it was apparent that this was one of them. So when the arrangements were made, nothing said by resident officials from Country Two during this time, the meeting occurred, and we had arranged and agreed that there would be two meetings of the President and the head of State of Country Two—the first in the oval office, as is always the case, and the second would take place in the family residence of the White House, which represents a special level of cachet and singling out for special treatment of a foreign visitor.

At the end of that second session on the second day, there was also to be a one-on-one session which is also an added measure of respect and standing and, as that in fact occurred, Country Two's leader and President Reagan had a private session.

Then both came out. The President's habit was to debrief or summarize what had been conducted in that private session to the Secretary of State or to me or to both of us, and he did so. In that debriefing nothing came up on this subject, but within a day or so, I was advised by the resident official of Country Two that whether in that meeting or not, that they, Country Two, had elected to carry on with their contributions they had made, but to be at about double the monthly level it had been in the previous year.

Hearing of that, I advised the President within a day or so, I believe, in the same fashion that I had before; that is, in a note card put into the briefing book for him to read each morning, and I recall getting his reaction as being one analogous to the earlier time, of gratitude and satisfaction, not of surprise.

Mr. **Liman**. Let's go over this again. The amount this time at $2 million a month was roughly 24, 25 million dollars; is that what you understood you were being offered?

Mr. **McFarlane**. That is correct. I heard both figures mentioned later, but soon after that news was reported to me by the foreign official. The Secretary of Defense here and the Chairman of the Joint Chiefs also told me they had heard the same thing, but their figure was 25.

Mr. **Liman**. And you received that information from the Chairman of the Joint Chiefs of Staff and the Secretary of Defense?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. So that the President was aware, through discussion with you, if not through other means, of the $25 million contribution, correct?

Mr. McFARLANE. That is correct.

Mr. LIMAN. The Secretary of Defense told you he had heard about it directly; am I correct?

Mr. McFARLANE. Yes, sir.

Mr. LIMAN. From—and the Secretary—and the Chairman of the Joint Chiefs of Staff told you he knew of it?

Mr. McFARLANE. That is correct.

Mr. LIMAN. Did you tell the Secretary of State?

Mr. McFARLANE. No, I did not, at that time. Later.

Mr. LIMAN. And was that a matter of conscious choice to keep the Secretary of State unaware of this?

Mr. McFARLANE. Well, not of conscious choice. I shared virtually everything—I think indeed everything—with the Secretary of State that I would learn of relevance. I did not foreclose doing that. I would have, I believe—not have done it in a way that risked disclosure beyond him personally, but the truth is that I did not until sometime later on.

Mr. LIMAN. The truth is that you didn't until sometime around June of 1986; is that correct?

Mr. McFARLANE. That is correct, yes, sir.

Mr. LIMAN. And you did it then when you were asked by your successor, Admiral Poindexter, whether the Secretary of State knew; is that fair to say?

Mr. McFARLANE. I think that is likely, yes, sir.

Mr. LIMAN. And the decision, therefore, not to tell the Secretary of State at the time was one that you made, and what I am trying to find out is why. Why not tell the Secretary of State?

Mr. McFARLANE. Well, there is no reason not to.

Mr. LIMAN. Well, what was in your mind in terms of not telling him?

Mr. McFARLANE. I think it was probably oversight, Mr. Liman. Just error on my part. I had no personal inhibition about telling him. I think I should have.

Mr. LIMAN. Did you tell the DCI?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. Is it a fact that you regarded this source of funding as a matter to be held as a closely held secret?

Mr. McFARLANE. Yes, I did.

Mr. LIMAN. Do you recall that even before this second contribution of $25 million was communicated to you, that you had received through Admiral Poindexter a complaint from the DCI, Mr. Casey, that Colonel North had talked about the sources of funding to a CIA official?

Mr. McFARLANE. I recall that, yes, sir.

Mr. LIMAN. Do you recall—and this is exhibit 31—that Colonel North wrote you a memorandum defending the fact that he was discreet and that he, in fact, did not tell the CIA about where the money was coming from?

[The exhibit appears at p. 463.]

Mr. McFARLANE. Yes.

Mr. LIMAN. Now you had regular meetings with Mr. Casey; is that right?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And those were generally meetings once a week?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And am I correct that you made a point of not mentioning the name of the country to him and he made a point of not asking you the name of the country?

Mr. **McFarlane**. We never had an exchange on it, to my knowledge.

Mr. **Liman**. And is it also correct, sir, that the Secretary of State never asked you where is the funding coming for 1985?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. Without that funding, the Contras couldn't have continued; that is correct, isn't it? The $25 million?

Mr. **McFarlane**. Yes, it is.

Mr. **Liman**. But this was an affair in which people didn't ask you and you didn't thrust this knowledge upon them?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. Except for informing the President; is that correct?

Mr. **McFarlane**. Yes, it is.

Mr. **Liman**. And what about the Vice President? Did you feel obligated to tell him also?

Mr. **McFarlane**. I am not certain. It was my habit to do that. The Vice President was privy to whatever the President knew. I recall it in the earlier situation rather vividly. I don't in this one. It is likely, I think.

Mr. **Liman**. Were you uncomfortable about receiving the money from a third country?

Mr. **McFarlane**. Well, I believe strongly that we could not and should not expect to sustain the policy with this kind of support and that this had to be the last time.

Mr. **Liman**. Were you uncomfortable that you might be creating some implicit quid for a quo?

Mr. **McFarlane**. Yes. You always have to consider what is it that you may invite by way of reciprocal gesture or concession, what obligation do you incur for having had some contribution of this kind. Yes.

Mr. **Liman**. And as I understand the line that you were drawing, you couldn't come right out and say, "I want a contribution." Am I correct? That would be a solicitation.

Mr. **McFarlane**. That is correct.

Mr. **Liman**. But you could express the concerns about the fact that the Contras were running out of funds?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And if in response to those concerns the foreign leader offered the money, you could tell him where to deposit it?

Mr. **McFarlane**. Well, of course, when it was legal the previous summer, he would have known that.

Mr. **Liman**. But you could tell him thank you when he offered it in February?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And it was that kind of line that you found you had to walk in order to keep the Contras going?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. Now, apart from the money that you received, or the Contras received, from Country Two, did you have any discussions with any member of your staff about their efforts to receive or raise contributions from any other countries?

Mr. McFarlane. Well, I have seen a memorandum which makes an account of a report to me by one of my subordinate staff officers of a conversation he had had with a Country Three official, and apparently the issue of any interest on Country Three's part for contributing to the Contras came up, and that he reported this to me, and I am a little hazy on the results, but I do know that I was very firm in saying to him absolutely no participation by you or any other staff member in any kind of approach to this country.

If they want to make a gift, that is their business and they must do it bilaterally themselves, not with us.

Mr. Liman. Did he tell you—is this staff member Mr. Sigur?

Mr. McFarlane. That is correct.

Mr. Liman. Did he tell you Colonel North had asked him to be in touch with, let's call it Country Three?

Mr. McFarlane. That is correct.

Mr. Liman. And am I correct that your response was that if Country Three wanted to make a contribution, it should make it directly, but not through the NSC?

Mr. McFarlane. That is correct.

Mr. Liman. And do you know, sir, whether or not Country Three actually made a contribution?

Mr. McFarlane. I do not.

Mr. Liman. Do you remember that the conversation with Mr. Sigur occurred toward the end of your tenure as National Security Adviser?

Mr. McFarlane. I believe that is correct.

Mr. Liman. Now, did Colonel North report to you how the money that was received from Country Two was spent?

Mr. McFarlane. I recall at least one report of that nature, and I believe other oral reports.

Mr. Liman. Do you remember how Colonel North came to give you these reports on how the money was being spent, but had raised from Country Two?

Mr. McFarlane. As I say, I believe there was at least one memorandum in writing.

Mr. Liman. Did he say to you at some point that he thought that Country Two might want to know how its money was being spent?

Mr. McFarlane. That is familiar. I believe so.

Mr. Liman. And he gave you then a written report, and is that written report—would you look at exhibit 37?

[The exhibit appears at p. 519.]

Mr. McFarlane. That is correct.

Mr. Liman. Now, before we look at the contents, I want to explain something which will become pertinent later. The cover of the document refers to a System 4 channel; am I correct?

Mr. McFarlane. Yes, sir.

Mr. Liman. Were you familiar with what System 4 documents were?

Mr. McFarlane. Yes, I was.

Mr. Liman. Just give us a very brief description of what that meant in terms of filing systems.

Mr. McFarlane. System 4 was the most compartmented system for handling of NSC written communications, memoranda, cables, whatever, and it was handled by a very, very limited number of people, both administratively and in terms of analysis.

Mr. Liman. Were system 4 documents kept in a central file?

Mr. McFarlane. I believe they were only kept in the Intelligence Bureau's office.

Mr. Liman. And they were given numbers?

Mr. McFarlane. That is correct.

Mr. Liman. And they were under the direction of whom? Who had the control of those documents?

Mr. McFarlane. There was a senior administrative official, Mr. Radzimski, who had custody of those files, and who would physically carry them back and forth. They did not go on his other more routine transmissions.

Mr. Liman. Now, this document which has been marked as exhibit 37 is a systems 4 document, and it is from Colonel North to you dated April 11, 1985; correct?

[The exhibit appears at p. 519.]

Mr. McFarlane. Correct.

Mr. Liman. He says, "Attached to Tab A is a summary analysis of how the FDN has expended funds which have been made available since the U.S. Government funding expired in May of 1984."

Mr. McFarlane. That is correct.

Mr. Liman. And the FDN was the Calero organization of the Nicaraguan resistance forces?

Mr. McFarlane. Yes, sir.

Mr. Liman. It says,

> From July of 1984 through February 1985, the FDN received a million dollars per month for a total of $8 million. From February 22 to April 9, 1985, an additional $16 million has been received—an additional $16.5 million has been received for a grand total of $24.5 million.

Mr. McFarlane. That is correct.

Mr. Liman. And that was before he received that last installment from Country Two. And then, it goes on to say that of this, of the 24.5 million, $17,145,594 has been expended for arms, munitions, combat operations, and support activities.

Correct?

Mr. McFarlane. Yes, sir.

Mr. Liman. And it then lists the various expenditures in tab A of what kinds of munitions were bought.

Mr. McFarlane. Yes, it does.

Mr. Liman. Now, did you share this information with anyone else?

Mr. McFarlane. No, I didn't.

Mr. Liman. Did you report it to your Commander in Chief?

Mr. McFarlane. No, I didn't.

Mr. Liman. Did you tell the President how the Contras were faring?

Mr. McFarlane. Yes. I gave him any significant information that I got. He had a strong interest in the status of the movement and its plans and how it was faring, and yet he didn't, nor should he in my judgment, have worried about whether specific kinds of things were being purchased more than general conclusion, are they or are they not satisfactorily equipped, which I would report to him.

Mr. **Liman**. Did there come a time, Mr. McFarlane, when you were told that one of these shipments of arms to the Contras was seized by a military official in a neighboring Central American country? Do you recall that, sir?

Mr. **McFarlane**. I believe so, yes.

Mr. **Liman**. And do you recall that that was after a vote in Congress which had rejected an effort to resume funding for the Contras?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And you received a report that this military commander of a neighboring country had concluded that that was a license for him to take the Contras' arms?

Mr. **McFarlane**. Yes.

Mr. **Liman**. Did you ask the President of the United States to speak to the head of state of that country to make sure that the Contras' arms were released to them?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And was that successful?

Mr. **McFarlane**. Yes; it was a matter coordinated with the Cabinet officers, too, but I would have said it was a message, but it may have been oral.

Mr. **Liman**. And the arms then were released to the Contras; am I correct?

Mr. **McFarlane**. I believe so, yes.

Mr. **Liman**. Now, if you look at this memo that we are on, which is exhibit 37, and page 2 at the bottom, Colonel North reported to you, and I will quote,

> It is apparent that the $7 million remaining will be insufficient to allow the resistance to advance beyond these limited objectives unless there is a commitment for additional funds.
>
> The $14 million which the U.S. Government may be able to provide will help to defray base camp, training and support expenses, but will not sufficiently affect combat—but will not significantly affect combat operations until autumn, due to lead time requirements.

Am I right that the $14 million was money that you had contemplated that you might be able to obtain from Congress at that time?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. Then it goes on to say, and this is Colonel North's recommendation to you, "Efforts should therefore be made to seek additional funds from the current donors (15 to 20 million) which will allow the force to grow to 30 to 35,000."

Now, were the current donors Colonel North's term for Country Two?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And the memorandum at the end had a recommendation for action, if you will turn the page.

Mr. **McFarlane**. Yes.

Mr. **Liman**. And the recommendation was that the current donors be approached to provide $15 to $20 million additional between now and June 1, 1985. Correct?

Mr. **McFarlane**. That is correct.

Mr. LIMAN. And there is no indication as to whether you approved or disapproved that?

Mr. MCFARLANE. I did not approve it.

Mr. LIMAN. Why did you not approve that?

Mr. MCFARLANE. Well, bear in mind we are within 2 weeks of when this lump sum, $25 million—albeit in two or three deliveries I think—had been received, so as a practical matter, there wasn't any need for money.

And, furthermore, even if there had been a need for money, I felt strongly that this had to be a matter which the administration could sustain through the Congress and the American people and that we couldn't continue to rely upon foreign sources for it.

Mr. LIMAN. And so, you turned down that request?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now, did you know that General Secord was supplying some of the munitions that are referred to on this list that Colonel North sent to you?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. Did he discuss that with you at all as to where the Contras were getting their arms?

Mr. MCFARLANE. No. I had assumed that as the day came, the fall of 1984, when all of us could see the CIA's authority was going to be ended, that they would have made clear that, in order to continue, the Contra leadership was put in touch with the appropriate people to continue to make orders for whatever they might need.

But I hadn't been specifically advised of that.

Mr. LIMAN. Now, I would like to take you through some of these other written reports that you received from Colonel North. Do you recall, and this is exhibit 32, receiving a report from Colonel North that there was a hitch in the delivery of arms from one unnamed country?

[The exhibit appears at p. 466.]

Mr. MCFARLANE. Yes, I do.

Mr. LIMAN. And do you recall that Colonel North told you that the problem was that the exporting country thought that the arms were going to the country that had provided the end user certificates and didn't realize that the arms were going to the Contras?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And that Colonel North had straightened them out and told them that the arms were going to the Contras, correct?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And he urged them therefore to complete the delivery.

Mr. MCFARLANE. Yes.

Mr. LIMAN. And he indeed even told the representative of this country that if he did so, they might get recognition from the Contras if the Contras became a state?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Now, did you consider—this was on December 4, 1984, after the Boland amendment was adopted—did you consider this kind of activity by Colonel North in assisting the Contras to get weapons that they had paid for or contracted for to be consistent with the Boland amendment?

Mr. McFarlane. Well, at the time, if I got this, I expect that I received this memorandum out in California in December. It was the President's habit to go to the West Coast, and it was sometime after the date on the paper here.

But normally, what I did when I had a report of something that seemed to be, if not over the line of question, I would ask Admiral Poindexter to find out what is going on. I don't have any concrete recollection of how this one was resolved.

Mr. Liman. This one, if you look at the cover page, has a "M" on the routing slip?

Mr. McFarlane. Yes. I don't dispute having seen it.

I don't recall precisely how it was resolved, but I believe my habit was whenever this, and one or two other memos of the same questioning in my mind came up, I would ask the Admiral to find out from Colonel North what had happened and how his actions squared with the law.

Mr. Liman. My question isn't clear.

I know this is—that we are talking about an event that is 2-1/2 years ago?

Mr. McFarlane. Right.

Mr. Liman. And a lot has happened since then, and there have been a lot of investigations and a lot of debate. I am asking you if you can put yourself back in December of 1984, and tell me whether at that time you considered this kind of activity, which Colonel North was reporting to you on, to be consistent with the restrictions that have been imposed by the Boland amendment?

Mr. McFarlane. Well, on the surface reading of it, it looks not to be in conformity, because I wanted to know precisely what had happened. I believe that I asked the Admiral to find out what had happened.

Mr. Liman. Did you ever admonish North during this period for his efforts to help the Contras?

Mr. McFarlane. Well, yes. The discussion of what they were doing, what he was doing, and so forth, my guidance to other staff members were fairly frequent at this time. And I think perhaps we will get to it in other memoranda—that the awareness that I was very concerned about staying within the lines as reflected in the fact that Colonel North's memos add a kind of preemptive explanation of why what he was doing was within the law in other memos.

Mr. Liman. Mr. McFarlane, you understand that Oliver North had a deep commitment to the Contra cause; am I correct?

Mr. McFarlane. Yes, I did.

Mr. Liman. This was something that was not just an assignment for him, it was something in which he had a conviction?

Mr. McFarlane. That is correct.

Mr. Liman. And he had a conviction with was a conviction shared by the President, by you, and by the administration?

Mr. McFarlane. That is correct.

Mr. Liman. And he was also a person who brought enormous energy to what he was doing?

Mr. McFarlane. Yes, he did.

Mr. Liman. And is it fair to say he was also a person who was difficult to control when he was in pursuit of an objective?

Mr. McFarlane. Well, I think Colonel North always responded to firm guidance when it was given.

Mr. Liman. Was he a person who ran with the ball?

Mr. McFarlane. Yes, he was. He was a very solid, determined, energetic, devoted officer.

Mr. Liman. Is there question, Mr. McFarlane, as to whether in giving him this task you gave it to a person who would run with the ball very, very far?

Mr. McFarlane. Well, I thought surely that Ollie was probably the mission-oriented, can-do professional on the staff, and I believe that the interpretation of guidance I had given to him would probably be certainly carried out but that probably he would on occasion go beyond, and I could foresee that.

I think any professional as competent as Colonel North, when he went down to make a visit to the Contras and was in the locale of their camps or something, and would observe how they were getting on in organizing themselves, and undoubtedly from time to time say, well, your truck part is vulnerable or you are not very well camouflaged, or this or that, the kind of thing that is almost an instinctive thing for a professional to do.

And quite honestly, because the comments of one single officer, resident in Washington most of the time, isn't going to have that dramatic effect on the outcome of the conflict, I didn't think the Congress was talking about that kind of thing. I still don't.

Mr. Liman. All right. Would you look at exhibit 33. Now, exhibit 33 is another system 4 document to you from Colonel North in which he asked your permission to provide Mr. Calero with information on a Nicaraguan merchant ship carrying weapons for the purpose of enabling Mr. Calero to either seize or sink the ship; do you recall that?

[The exhibit appears at p. 471.]

Mr. McFarlane. I have seen it in the last weeks and may have seen it at the time. This is in the category of things that I would have found out about by researching afterwards, myself, or with the Admiral.

Mr. Liman. And the Admiral indeed wrote, and it's in this exhibit, it's attached to the last page—he wrote on it, "Except for the prohibition of the intelligence community doing anything to assist the Freedom Fighters, I would recommend I bring this up at the CPPG meeting at 2:00 today."

And then he said, "Of course, we could dispute it from the standpoint of keeping the arms arriving from Nicaragua without any involvement of Calero and Freedom Fighters. What do you think?"

In fact, you didn't authorize any action to seize this ship?

Mr. McFarlane. No, I did not.

Mr. Liman. Once again, was it within the assignment that you had given Colonel North that he propose action to seize ships carrying arms?

Mr. McFarlane. No, it wasn't. But I don't fault him for it. I think that the job, my job, the job of any responsible commander, is to expect that the energetic people operating under an assignment to accomplish a given mission are going to try to be imaginative and to think up things that hopefully will be both prudent, feasible, successful, wise, but that many times they won't.

That's why you are the boss and they are the subordinates. And so to say, no, don't do that, as I would often do, and write on memos, "This is illegal," as we have seen—but that is my job and I don't fault him for having been an imaginative, aggressive, committed young officer.

Mr. **LIMAN**. Now, would you look at exhibit 35. That's a memo from Colonel North where he asks you to take some action and where you approved that action, correct?

[The exhibit appears at p. 492.]

Mr. **MCFARLANE**. That is correct.

Mr. **LIMAN**. And the action that he asked you to do was to send a memo to Secretary Shultz, Weinberger, and Director Casey, and General Vessey, asking for their view on an increased United States assistance to a Central American country, correct?

Mr. **MCFARLANE**. That is correct.

Mr. **LIMAN**. And you, in fact, sent the memorandum requested that recommended that this country be considered for increased assistance, correct?

Mr. **MCFARLANE**. That is correct, yes.

Mr. **LIMAN**. Colonel North in his memo to you said, the real purpose of your memo is to find a way by which we can compensate the Central American country for the extraordinary assistance they are providing to the Nicaraguan Freedom Fighters, and he attached to this some end-user certificates which that country had provided to the freedom fighters that showed that the arms were going to that country, rather than to the Contras.

Mr. **MCFARLANE**. That is correct.

Mr. **LIMAN**. Is that correct?

Mr. **MCFARLANE**. Yes.

Mr. **LIMAN**. And am I correct you sent the memo?

Mr. **MCFARLANE**. Yes, I did.

Mr. **LIMAN**. And you did not, in sending the memo, indicate that the real purpose was to compensate this country for assisting the Contras?

Mr. **MCFARLANE**. Well, that wasn't its real purpose.

Mr. **LIMAN**. That was Colonel North's purpose.

Mr. **MCFARLANE**. That is the way that he portrayed it. However, for a long time many members of Congress, the Secretary of Defense, Secretary of State had urged that we review and reconsider Guatemala's eligibility for foreign assistance. So on its merits, Guatemala, having made some progress in the direction of improved human rights records—and reduced number of unexplained murders and things like that—justified asking the community, has the time come where Guatemala deserves to have some support.

I don't say that disingenuously at all. Colonel North would obviously or occasionally write memorandum rather hurriedly in their portrayal of events. For example, in this one, the description that this relationship and the end users certificates emerged as a direct consequence of my visit there is absolutely untrue. For example, I made that trip, landed at the airport in Guatemala, spent 20 minutes at the airport, got back on the plane and left.

Now, in the space of that time, the total exchange consisted of sitting in a room with career officials, the CIA, Defense, my staff, the State Department, and the resident Ambassador. Now, anyone with any gumption certainly is not going to sit there in the front of God and everyone and say, "Will you please provide illegal end user certificates for me?" In short, this simply didn't happen. But I looked at the memo that was attached, and what it sought to achieve, to evaluate whether or not Guatemala was qualified to receive aid was a very legitimate purpose, and it was the only purpose.

Mr. **Liman**. One last question and then we are going to break. Did you admonish Colonel North for sending this kind of memo and stating that the purpose was to compensate the country for assisting the freedom fighters?

Mr. **McFarlane**. I did not.

Chairman **Hamilton**. Thank you very much, Mr. McFarlane.

The committees will now stand in recess until 2:00 p.m. when we will reassemble in this room for further continuation of testimony.

[Whereupon, at 12:00 noon, the committees adjourned, to reconvene at 2:00 p.m., this same day.]

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2:00 p.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman **Hamilton**. The afternoon session of the joint hearings of the two select committees will come to order.

Mr. McFarlane, there is a vote pending in the House; some Members of the House will be absent for just a few minutes while voting, but I have asked the counsel to proceed with the questions and we will return just as quickly as we can.

Of course, Chairman Inouye will preside in my absence.

Mr. Liman, you may proceed.

Mr. **Liman**. Mr. Chairman, at the recess there was put up on the walls certain charts from left to right, the first one is the Boland provision that was in effect for fiscal year 1984. The second one, I believe, is the amendment that was in effect for fiscal year 1985; and the last two charts, with the blue borders, were the amendments that were adopted in August of 1985.

I have also been asked, because of the censorship in the declassification, to go over exhibit 32 again, if you would take it out, Mr. McFarlane, and to review its import.

[The exhibit appears at p. 466.]

As you recall, that is the memorandum of December 4, 1984, that Colonel North sent to you when there was difficulty with a foreign country's willingness to ship arms that it thought was going to one Central American country, but was destined for the Contras and you talked about it.

If you would look at it, North writes, "As agreed, I explained to—" the foreign emissary, I will be adding the concept—"our purpose in the meeting was to clarify questions which had been raised in Canada regarding an arms transaction destined—" for a Central American country.

"I explained that an intermediary had advised that—" the country represented the emmisary—"apparently made a decision not to proceed with the Canadian-originated arms sale."

Then it describes what was in the arms sale.

It goes on to say the emissary—"professed to be unaware of the Canadian transaction. I advised him that the approach was not really intended for use by—" this Central American country—"but rather for the Nicaraguan Resistance Forces. Further, the intermediary had indicated that the problem appeared to be the number—" of the Central American country's—"military officers who are graduates of the—" a certain military academy.

"As a consequence of the apparent reluctance to proceed with the sale showing—" the Central American country—"end-user certificate, the Canadian arms dealer is preparing to reinitiate discussions for a similar delivery—" via another country.

That is, in substance, what the document says, adding substitutes for what was deleted.

Would you turn now to exhibit 36. Exhibit 36 purports to be, Mr. McFarlane, a memorandum sent to you by Oliver North dated March 16, 1985, entitled "Fallback Plan for the Nicaraguan Resistance."

[The exhibit appears at p. 510.]

Am I correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. And it has notations on the margin and are those your notations?

Mr. McFARLANE. Yes, they are.

Mr. LIMAN. Is it fair to say that North was making proposals to you for means of obtaining funds in the event that Congress didn't go through—Congress did not appropriate funds; is that fair to say?

Mr. McFARLANE. He was expressing some ideas about it, yes.

Mr. LIMAN. And you were writing on the margins your views, yes, no, doubtful, and so forth?

Mr. McFARLANE. That is correct.

Mr. LIMAN. If we look at this memorandum, Colonel North stated, as his assumption right at the beginning, that the Congress is unwilling to support release of $14 million in U.S. Government funds for the purpose of supporting directly or indirectly military or paramilitary operations in Nicaragua. That was the—what he assumed for the purpose of the memorandum?

Mr. McFARLANE. Yes.

Mr. LIMAN. Then he came up with different options. He goes on to say in the next paragraph, the second sentence,

> The current funding relationship which exists between the resistance and its donors is sufficient to purchase arms and munitions between now and October—if additional moneys are provided for non-military supplies, for example, food, clothing, medical items, et cetera. The current donors will have to be convinced of the need to continue their funding for munitions after October 1, 1985. A commitment for another 25 to 30 million from the donors will be necessary for munitions in 1986 in anticipation that the $28 million requested in the intelligence budget is not approved.

Am I correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. Now, it is also correct that Congress did approve $27 million for fiscal year 1986; am I correct in that?

Mr. MCFARLANE. Yes.

Mr. LIMAN. But that was not for munitions, but for humanitarian aid?

Mr. MCFARLANE. That is right.

Mr. LIMAN. When Colonel North wrote here that the current donors will have to be convinced of the need to continue their funding for munitions, did you understand that he was referring to Country Two as the current donors?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. And what was the reason, if any, that you know that he used the plural for one country?

Mr. MCFARLANE. Well, I think in common parlance, whenever we talked about that country, we talked about a collective leadership, but it was always expressed in plural. It was just a common reference for Country Two.

Mr. LIMAN. Was it to camouflage that it was one country?

Mr. MCFARLANE. I don't think so.

Mr. LIMAN. In any event, you did want to keep the identity of the country secret?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Now, you have testified that one of the rules that you laid down was that there should be no solicitation?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Would you tell me when Colonel North said the current donors will have to be convinced of the need to continue their funding, is that a distinction that you are drawing between solicitation and convincing, or that he is drawing?

Mr. MCFARLANE. Well, my reaction to this proposition was negative in any case, that it wasn't a matter of splitting hairs between soliciting and inducing, if you will, by circumlocution. It was a matter that we weren't going to rely on any foreign source again, in my judgment.

Mr. LIMAN. Now, when you say that you turned it down, you wrote on the second page where he gave his recommendations, he wrote,"The current donors must be apprised of the plan and agree to provide additional $25 to $30 million to the resistance for the purchase of arms and munitions,"—and you wrote, "I doubt."

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Why did you write doubt? Some you wrote no on, some you wrote yes. Why did you write doubt?

Mr. MCFARLANE. Well, I don't know concretely at the time why I wrote that, but basically, it seemed to me that first of all, we could not. It was illegal. Second, that it should not, because it was getting ourselves, if we continued to rely on somebody else to sustain a policy, we couldn't.

Mr. LIMAN. Did it strike you as unusual at all that after you told Colonel North that solicitation was out, and after you rejected his recommendations for solicitation on a number of occasions that he kept sending you memoranda saying, let's solicit, let's encourage?

Mr. MCFARLANE. Yes, it did.

Mr. LIMAN. Did it occur to you that the message wasn't getting through?

Mr. McFARLANE. Well, at this particular time, it seemed a little odd. because things were looking better at this moment. We were about to have the San Jose Declaration, our own peace plan, and it seemed to me that our fortunes with the Congress were rising at that particular moment; plus it is still very close in time to the infusion of 25 million new dollars, so we didn't need the money anyway.

Mr. LIMAN. As you sit here today, are you positive that you did give those instructions against solicitation? I know it was seven years ago. Are you positive that you gave those instructions?

Mr. McFARLANE. Yes. Absolutely.

Mr. LIMAN. Now, he also recommended that the President make an appeal to the American people to send money for the Contras, and you wrote no on that?

Mr. McFARLANE. Yes, that is correct.

Mr. LIMAN. And he recommended that there be a tax-exempt organization created for the freedom fighters, and that you wrote yes on?

Mr. McFARLANE. Yes.

Mr. LIMAN. Were you at all involved at all in the activities of the Channell group to obtain money for the Contras?

Mr. McFARLANE. No, I wasn't.

Mr. LIMAN. Were you aware that that group was engaged in that endeavor?

Mr. McFARLANE. No, I wasn't. I only learned of the group this past year.

Mr. LIMAN. You didn't speak at any of their functions?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. Did you know that Colonel North was involved with them?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. Did you know that he was involved with Mr. Miller in attempting to help the Contras?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. Did you know Mr. Miller?

Mr. McFARLANE. No, I don't.

Mr. LIMAN. And again, this is another thing that Colonel North didn't report to you on?

Mr. McFARLANE. I didn't know anything about them; that is correct.

Mr. LIMAN. Was there any sense that you had at the time that you had given Colonel North the idea that, intentionally or unintentionally, that there were just some things that he shouldn't bring to your attention?

Mr. McFARLANE. I don't think so. I didn't intend to; and yet, I think this: I think that I have to accept responsibility regardless of whether I provided explicit direction that lead to this, that as the person who set the tone, set the example, was in charge, I am responsible for what happened.

Mr. LIMAN. But, Mr. McFarlane, for example, you did not want to impose certain knowledge on the Secretary of State?

Mr. McFARLANE. Yes, That is correct.

Mr. LIMAN. And I am asking you whether on a lower level there was that same compartmentalization, namely, that as you think about what was happening then, that Colonel North was not briefing you on some things which would have been awkward for you?

Mr. McFARLANE. Well, I understand what you mean, and I think that it is very possible that Colonel North would have done the other thing, and that is not tell me things in order to protect me. He was a very loyal officer, concerned for my own welfare, too.

So I can imagine that he may have undertaken things to do and not told me about it for my benefit, and not his.

Mr. LIMAN. Now that is the point that I was really asking you about.

Mr. McFARLANE. Yes.

Mr. LIMAN. Because when you didn't tell the Secretary of State, that was for his benefit, not for yours?

Mr. McFARLANE. That is correct.

Mr. LIMAN. Now if you—after you received this memorandum from Oliver North in which he proposed going back to the—to Country Two, for $20 to $30 million, do you recall that you discussed the subject of third-country funding with the CIA, Mr. Casey?

Mr. McFARLANE. I don't believe I did, no.

Mr. LIMAN. If you would look—maybe this will refresh your recollection—would you look at 36A?

[The exhibit appears at p. 518.]

That is a memorandum of a meeting that you had with the director prepared by his office. The meeting was March 21, and the North memorandum to you was dated March 16. So it was within a week.

In it, the director says of a meeting with you,

> We then discussed the Contra situation and what to do about funding. The Director—that is Mr. Casey—expressed some concern, based on his conversations with Poindexter earlier in the day that the administration was going to be content to seek authorization for non-lethal aid to the Contras, relying on third-countries to supply either arms or funds for arms.

I will stop there and say, in fact, the administration ended up seeking the money for non-lethal aid?

Mr. McFARLANE. That is correct.

Mr. LIMAN. Then Mr. Casey goes on to say, "I noted to McFarlane that while this is the expediency of getting dollars to the Contras quickly, I fear that the long-term program would be in jeopardy. That by doing it in this——" and its——

Mr. McFARLANE. Fashion, I believe.

Mr. LIMAN [reading].

> Fashion Congress is virtually left off the hook as far as commitment to Central America goes. The opponents next year will attempt to ferret out those countries providing arms for dollars to the Contras and will then seek to cut off any aid or arms sales we have with those countries.
>
> Hence, we will not only lose support to the Contras, but also our ability to help those third countries. Bud noted that was a good point and he felt that rather than have another meeting on this subject he would take the issue to the President and let him decide.

Do you recall that meeting at all?

Mr. McFARLANE. I don't, but I can picture—I recall how the meetings normally took place, on Wednesday afternoons and this one doesn't——

Mr. LIMAN. Well, here you are being told by the director that if you rely on third countries for lethal support for the Contras, and it gets out, Congress could penalize those countries as well as the Contras; right?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And you acknowledged that that was a serious issue? And that you would leave it to the President to decide?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Did you bring it to the President? Do you have any recollection of that, sir?

Mr. MCFARLANE. I know that I did not.

Mr. LIMAN. Then why did you tell the CIA that you were going to leave it to the President and not to do it?

Mr. MCFARLANE. Well, first, you assume that this is an accurate record there. The first time I have seen this document, but the—two things here.

First of all, when the director would come to the meeting, he would carry a notebook about like this, with inserts such as this one, with the CIA overlay imprinted on it. Occasionally, when there was something he wanted me to follow up on after the meeting, he would give me a clean memorandum, without the CIA lettering on it; and he didn't on this subject.

But concerning this one, over time I found that from the spring of 1984 through the summer, through 1985, in fact, as a consistent matter, I normally disagreed with the director on how a given matter ought to be taken on and promoted with the Congress.

And I also found—and it didn't do very much good to argue about it, and the easy way to resolve a given conflict was just to acknowledge that the only way you are going to solve this is elevate it to the boss.

Well, that would also at least get us on to the next agenda item.

Mr. LIMAN. And on this one, as I understand your testimony, you made the decision that there was no point in seeking further third country assistance?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And in fact you didn't?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. Now would you look then at exhibit 37A, which is another one of these weekly meetings with the DCI. Paragraph 6, which is the only thing that was left in after the declassification says, "We then discussed the $14 million for the Contras and there seems to be more bills and proposals around than the administration can handle."

[The exhibit appears at p. 526.]

It then goes on to say—do you see where I am reading?

Mr. MCFARLANE. Yes, I do.

Mr. LIMAN. "McFarlane wanted to know if we were plugged into the private efforts to raise the $14 million. The DCI indicated that we had heard something on that, but had no details."

What was he referring to, if you know, about the private efforts to raise the $14 million?

Mr. MCFARLANE. Well, what I was referring to was whether or not the director was conscious of any efforts in the United States to raise money from private individuals, and I didn't assume that the

CIA in its official capacity would be penetrating or otherwise collecting on them. It was against the law.

But I just wanted to know whether Bill Casey was aware of any such effort or not.

Mr. LIMAN. Did you have a goal then of raising $14 million from private donors in the United States?

Mr. McFARLANE. No. The apparent or alleged efforts of outside groups raising money was well-known, or at least it was well rumored in public.

Mr. LIMAN. I mean this is not your memorandum. I appreciate it.

Mr. McFARLANE. No.

Mr. LIMAN. It is the memorandum of the CIA. But it says, "McFarlane wanted to know if we were plugged into the private efforts to raise the $14 million."

What were the private efforts that you were talking about?

Mr. McFARLANE. Well, the rumored efforts that were well known. I simply wanted to know was Bill Casey witting of any such efforts. I was not, but I didn't know whether or not he was plugged into something that I was not.

Mr. LIMAN. Well, who was handling, who was in charge of the private efforts to raise the $14 million.

Mr. McFARLANE. I didn't know, and I didn't purport to know. I wanted to know really if he knew.

Mr. LIMAN. Well, if one of your tasks was within the law to keep the Contras going, did it not seem to you that it was appropriate for you to inquire as to who was raising the money?

Mr. McFARLANE. Well, it would have been, yes.

Mr. LIMAN. Did you ask North?

Mr. McFARLANE. Repeatedly Colonel North and I had exchanges about who is doing it; are you involved, and so forth.

Mr. LIMAN. And what were the responses?

Mr. McFARLANE. That he believed that there were well-meaning, patriotic Americans that were joined together to donate money and who were working with the Contras, but that he wasn't personally party to it.

Mr. LIMAN. Do you recall who he told you was organizing the effort?

Mr. McFARLANE. I don't believe that he did.

Mr. LIMAN. Did you ask?

Mr. McFARLANE. Broadly, yes, who is getting this money together, what does it involve, what does it amount to, are you party to it?

Mr. LIMAN. His answer was he didn't know?

Mr. McFARLANE. He said that he suspected that there were several that were operating on their own independently and that he wasn't plugged into it, though.

Mr. LIMAN. Did he ever tell you that he was trying to raise the money from the so-called phony Saudi principles? You have read a lot about that Iranian who was parading himself as a Saudi prince.

Mr. McFARLANE. He never mentioned that and I have never heard of it before.

Mr. LIMAN. Until it recently has been written about?

Mr. McFARLANE. That is correct.

Mr. **Liman**. And he didn't tell you that he was arranging to have Miller meet with this man?

Mr. **McFarlane**. No.

Mr. **Liman**. He didn't tell you that he was in contact with the FBI to ask that they not proceed with any indictment of this man for fraud until he came up with this money?

Mr. **McFarlane**. No, he didn't.

Mr. **Liman**. Now, the committee has heard testimony that in July of 1985, Colonel North flew down on a government plane to Florida and met with Mr. Calero, Colonel Bermudez, and Mr. Secord to discuss the organization of an airlift for the Contras.

I heard that testimony from General Secord last week.

Were you aware, sir, that Colonel North was holding that meeting or attending that meeting?

Mr. **McFarlane**. No, I wasn't. I could imagine that Colonel North kept that from me for my benefit, not his.

Mr. **Liman**. Did you know—did you ever discuss with Colonel North that the Contras needed an airlift?

Mr. **McFarlane**. No. The fact that occasionally deliveries were made by air was reported by Colonel North to me, but we never talked about the need to expand it nor Contract it nor get involved.

Mr. **Liman**. Did he ever tell you that he was turning to General Secord to undertake that mission?

Mr. **McFarlane**. No, he didn't. The encounters with General Secord I guess we will get to in December 1985.

Mr. **Liman**. Did he ever tell you that he asked General Secord to approach a foreign emissary to get money?

Mr. **McFarlane**. That Colonel North had told him to?

Mr. **Liman**. Yes; to Secord and asked him to approach a foreign official with whom Secord had had dealings and for Secord to ask that official to help.

Mr. **McFarlane**. I recall in an exchange that was basically rhetorical in which he said is there, did I, McFarlane, have any problem if General Secord were to do that, and, as I recall, I answered that it isn't our job to tell General Secord what he can or cannot, should or should not do.

Mr. **Liman**. Did you have any meetings with General Secord in this period of 1984 up until December of 1985 when you saw him in London?

Mr. **McFarlane**. No, I didn't.

Mr. **Liman**. Did you have a telephone conversation with him to the best of your recollection?

Mr. **McFarlane**. No, I didn't.

Mr. **Liman**. What was your relationship, if you could put a description on it, with General Secord? Was he an adviser, a colleague?

Mr. **McFarlane**. As far as I knew, there was no relationship between General Secord and the NSC, either in a consultancy status or anything else. I had known General Secord when the two of us served in government together in 1981. I believe he testified to that. But not after he had left government in 1983.

Mr. **Liman**. General Secord has testified to a number of conversations and meetings with North during the period that you were National Security Adviser relating to the Contras. Were those things that you were unaware of?

Mr. McFarlane. That is correct.

Mr. Liman. Did you have any discussions with North about the need to open the southern front?

Mr. McFarlane. I think we did, yes.

Mr. Liman. Did North tell you that he was taking any steps to do this?

Mr. McFarlane. I recall a conversation, and in fact, a time when Eden Pastora, who had a rather stormy relationship with the CIA, was seeking support and assistance, guidance to start up once more the faction of the Sandinista forces in the south, and I couldn't put a time on it, but I would imagine it was spring or summer of 1985, and it was discussed but dropped, I believe.

I don't remember, but I think Pastora no longer had an interest.

Mr. Liman. Did North ever tell you that he had given any kind of instructions to the Ambassador to Costa Rica to assist in opening the southern front?

Mr. McFarlane. No, sir.

Mr. Liman. North sat on something called the RIG.

Mr. McFarlane. Yes.

Mr. Liman. That is a restricted interagency group?

Mr. McFarlane. That is correct.

Mr. Liman. There was a representative from State and from the CIA, from Defense on that group?

Mr. McFarlane. Yes, there were.

Mr. Liman. Did North report to you on the meetings of the RIG?

Mr. McFarlane. Occasionally when something was going to be proposed that required a decision, yes.

Mr. Liman. Did the RIG have the authority to instruct ambassadors to open a southern front?

Mr. McFarlane. No. Of course, it depends on the timing, but never would that kind of decision be taken at the Assistant Secretary level or lower.

Mr. Liman. Now, in your statement, and then I want to turn to Iran for a moment, in your statement, referring to the fact that congressional policy on Iran, on the Contras had changed, as can been seen from these charts, and that the administration's policy remained constant, you wrote,

> People simply cannot carry out policy under the conditions I have described. If you try to make them do so, you will produce conflicting allegiances, lack of communication and blurring of essential lines of authority and responsibility.

Were you referring to this conflict between the policy on the Contras set in their appropriations and authorization bills and the policy of the administration?

Mr. McFarlane. Well, I was referring to ambiguities, both within the executive branch, and between the Congress, and the executive branch, and in the formal area, whenever the nominal direction is under the hand of one agency, which by Presidential order it was, and that was the State Department, and, two participating agencies, Defense and CIA, are foreclosed in law from participating in the enterprise, and the State Department is basically indifferent about it—although I would have to say, Mr. Abrams was not indifferent about it—then you have people that by default receive a responsibility, the NSC staff, but they don't have the authority that needs to go with any mission that is assigned.

Separately, the matter of evolution in the legal framework is an extremely difficult to manage in any fashion that preserves credibility vis-a-vis not only in this case Nicaragua, and our friends in Central America, but more and more any ally anywhere.

I think since the time of the War Powers Resolution is the extent to which a country can count upon the ability of the United States to fulfill its commitments is diminished. And when the Congress goes from, in this case, full funding to restricted funding, to no funding, to quadrupling the funding, in the space of 5 years, it is extremely unsettling to friends and allies, because it implies that the executive branch does not have the ability to fulfill commitments that it makes.

Mr. **Liman**. All right.

When you said that it, referring to people, that it will produce conflicting allegiances, what were the different allegiances that you saw in conflict?

Mr. **McFarlane**. Well, I think any member of the RIG, for example, who was subordinate to the Chairman of the RIG, the Assistant Secretary of State, recognizing that the State Department was disinclined to promote the policy, and the other two agencies were unable to by law, that the people either looked to the NSC, whose representative happened to be subordinate to all of them, and his ability to coordinate with them as a very junior officer and to whom they should be accountable, is blurred. And that is what I was implying.

Mr. **Liman**. Well, was the conflict between the mission to keep the Contras going and this legislation?

Mr. **McFarlane**. Yes, I think that is fair.

Mr. **Liman**. Now, let's turn to Iran and it has been well covered in part in the Tower Board's very careful study, and see if we can summarize them and move to other parts where you have some insight and information to convey.

Am I correct that in June of 1985 a draft National Security Directive, NSDD, was circulated to the different departments interested in foreign policy?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And that the draft proposed consideration of a new opening to Iran which might involve the sale of arms?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And that the proposal, to say the least, was not greeted with great enthusiasm by either the Secretary of State or the Secretary of Defense?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. They both rejected it?

Mr. **McFarlane**. Yes.

Mr. **Liman**. At about the same time, am I correct that you had asked Mr. Ledeen, who was going to be visiting Israel, what intelligence Israel had on what was going on in Iran?

Mr. **McFarlane**. Yes.

Mr. **Liman**. Am I correct that in part you asked him to do this because the United States was suffering from a lack of human intelligence, to use the phrase, in Iran?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And Mr. Ledeen reported back to you that the Israelis had some contacts in Iran and thought there was a possibility of an initiative?

Mr. **McFarlane**. Yes.

Mr. **Liman**. Now, there came a time—and this is where I want you to tell us what happened—there came a time in July of 1983 when you had direct contact with a representative of the Israeli Government; am I correct?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And who was that?

Mr. **McFarlane**. That was the Director General of the Israeli Foreign Ministry.

Mr. **Liman**. What was his name?

Mr. **McFarlane**. Mr. Kimche.

Mr. **Liman**. And how long had you known Kimche?

Mr. **McFarlane**. I had known of him for a decade. I had worked closely with him for my entire time in this administration, since 1981.

Mr. **Liman**. And this is 1985 we are talking about?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. And tell us about your meeting and conversation with Mr. Kimche.

Mr. **McFarlane**. He came to report the existence of contacts with Israeli officials and Iranian officials that had gone on for some time, and through these contacts the interest on the part of Iranian officials in establishing contact with the United States.

The largest part of the conversation focused upon my asking why he had confidence in these people, why was it we shouldn't believe that they were self-serving, opportunistic people, and he went to some length to explain the basis to which he and his associates in Israel had concluded that these people were legitimate and sought over time to be able to influence change in Iran away from the rather extreme policies of the time to a more, a less violent coexistence with their neighbors.

He stated at the time that the people with whom they had dealt who were at some risk understood that the United States had no reason to believe in them, we had not dealt with them and accordingly their bona fides would have to be demonstrated.

Mr. Kimche said, they, understanding they would see if they couldn't influence the captors of the United States and other countries' hostages in Lebanon to release them. And, in fact, in that first encounter stated that they had thought it through and with some confidence only wanted to know two things: Were we interested in talking to them; and how would we prefer that they release the hostages.

Mr. **Liman**. Is that the substance of that first conversation with Mr. Kimche?

Mr. **McFarlane**. Yes, it was.

Mr. **Liman**. Now, in the first conversation did Mr. Kimche mention arms?

Mr. McFARLANE. No.

Mr. LIMAN. But he did mention hostages?

Mr. McFARLANE. Yes, he did.

Mr. LIMAN. Is it fair to say that the release of the hostages was an important objective of the NSC at this time?

Mr. McFARLANE. Yes, it was.

Mr. LIMAN. And, in fact, did you have a concurrent operation going to seek the release of the hostages through ransom being raised from Mr. Perot?

Mr. McFARLANE. Within a year of that time there was an operation involving DEA agents, with the cooperation of the Attorney General, that was underway.

Mr. LIMAN. That was underway at this very time, wasn't it?

Mr. McFARLANE. Yes.

Mr. LIMAN. And that had been approved by the President?

Mr. McFARLANE. Yes.

Mr. LIMAN. And am I correct that this involved ransoming the hostages for a million dollars a hostage?

Mr. McFARLANE. It involved no Government funds, but it did involve bribes of guards and people in the chain from the immediate housing of the prisoners to their ultimate escape from Lebanon, yes.

Mr. LIMAN. It involved paying the people who were holding them?

Mr. McFARLANE. That's right. And others.

Mr. LIMAN. And if you look at exhibit 38A, which is a memorandum of June 7, 1985, from Mr. North to you, he discussed that operation, correct?

[The exhibit appears at p. 537.]

Mr. McFARLANE. Yes.

Mr. LIMAN. And he discussed that the hostages could be bribed free for a million dollars apiece as follows, and then he outlined it, correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. He talked about the fact that the DEA would be involved in the operation.

Mr. McFARLANE. Yes.

Mr. LIMAN. And they were involved pursuant to the authorization of the Attorney General of the United States?

Mr. McFARLANE. Yes.

Mr. LIMAN. And then he said in the last paragraph,

> The DEA officers are prepared to take leave as soon as they are contacted by Mr. X. Travel arrangements and operational costs are currently being financed from funds normally available to the Nicaraguan resistance.

Am I correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. Did you initial this document?

Mr. McFARLANE. Yes, I did.

Mr. LIMAN. Now, you understood then that North was telling you that the walk-around money, the expenses of the DEA agents, were being paid from money that was available normally to the Contras, right?

Mr. McFarlane. To tell you the truth, I didn't. But it is my own oversight I didn't. If I had been careful about reading it, I would have. In thinking about it since learning about it, I can speculate on how that worked.

Mr. Liman. Did you ever ask him whether he was getting money from Calero to assist in the release of the hostages?

Mr. McFarlane. I didn't, but I should have, and I just missed this. That's all. I thought it was all coming from a private U.S. citizen.

Mr. Liman. So your testimony is you did not know that the Contra funds were being used for the release of the hostages?

Mr. McFarlane. No, not at the time. But I——

Mr. Liman. You have seen this memorandum again when it was shown to you by us and the independent counsel and others, right?

Mr. McFarlane. That's right.

Mr. Liman. Let's go back to the meeting with Kimche. He asked you at the end whether you would be interested, but there were no arms involved. And what happened next?

Mr. McFarlane. I reported that to the President within a day or so before he went into the hospital in July of 1985, and the sum and substance of the proposal was: Is the United States interested in talking to these people; and, secondly, what is your preference if they are able to influence the release of the hostages?

And the President, in sum, said that yes, there is no harm in listening to the Iranians, and it was a very sensible thing to do, and that was conveyed to Mr. Kimche.

Mr. Liman. What was the next step, then?

Mr. McFarlane. Within 2 weeks, or about July 13 or so, Israel sent a private Israeli citizen to this country.

Mr. Liman. Was that Schwimmer?

Mr. McFarlane. That is correct. And he reported to Mr. Ledeen basically they had conveyed our response to the Iranians and the Iranians had introduced a requirement that before they could take any action, they would require the delivery of 100 TOW missiles from our side.

I conveyed that to the President, talked through the——

Mr. Liman. When did you convey that to the President? Was it when he was in the hospital?

Mr. McFarlane. Yes. It is—it isn't precisely clear. I believe that it was the 16th or the 17th of July.

Mr. Liman. Did you ask to see him on this very subject?

Mr. McFarlane. Well, it was part of what I wanted to cover with him anyway in the normal morning national security briefs.

Mr. Liman. Now, for the first time you had been told that the Iranians wanted a trade, 100 TOWs for the hostages.

Mr. McFarlane. That is correct.

Mr. Liman. And while you had been involved at the NSC in the concept of either ransom or a bribe, however you characterize it, this was something of a different order?

Mr. McFarlane. Yes. It is perhaps useful that I note that I had cabled a summary of this proposal to the Secretary of State, who was out of the country at the time.

Mr. Liman. And at the time that you spoke to the President had you yet received the response from Secretary of State?

Mr. McFarlane. Yes. He had responded and said that the pros and cons and risks, as I had laid them out in my message, he agreed with, and yet on balance thought that a tentative show of interest ought to be made and that I should take charge of the channel on the United States end, and I don't want to imply, however, that he supported the idea of an arms sale.

But the idea of talking to Iranians and to include the ultimate release of hostages was a matter in which he said on balance it was worth a try.

Mr. Liman. Now, when you presented this to the President in the hospital, what was his reaction?

Mr. McFarlane. Well, the President said that he could understand how Iranians who wanted to achieve a change in policy would be vulnerable to the more radical Iranians affiliated with Khomeini, and so the idea of strengthening this by giving them the means to rally the army or revolutionary guards to them was not an outrageous notion, but that we hadn't met them and we didn't know them and their bona fides were very uncertain, and so at the time there could not be any U.S. owned items from the United States proper shipped to them in this kind of an arrangement, and I conveyed that back to Mr. Kimche.

Mr. Liman. You said U.S.-owned weapons from the United States sold to them. Was there an implication that the Israelis could ship if they wanted?

Mr. McFarlane. That distinction is mine, not his, but he said, I believe, we can't do that, and I conveyed that back to Mr. Kimche.

Mr. Liman. Now, at this time in 19—July of 1985, you were aware, I take it, that a number of countries were selling weapons to Iran. Is that correct?

Mr. McFarlane. Yes.

Mr. Liman. Iran was getting supplied, notwithstanding the United States' effort at embargo arms?

Mr. McFarlane. That is right.

Mr. Liman. And it was being supplied from a number of countries that were allies of ours.

Mr. McFarlane. Yes.

Mr. Liman. Was Israel one that you had heard was sending them weapons?

Mr. McFarlane. There were frequent reports of that, which I would ask Bill Casey about, and he could not prove it conclusively.

Mr. Liman. Other European countries?

Mr. McFarlane. Yes.

Mr. Liman. And was the United States engaged in a genuine effort to persuade its allies not to ship arms to Iran?

Mr. McFarlane. Yes, it was. And with some success.

Mr. Liman. And this was our public policy? Am I correct?

Mr. McFarlane. That is correct.

Mr. Liman. And it was a policy that we were committed to?

Mr. McFarlane. Yes.

Mr. Liman. It wasn't just something we were playing lip service to.

Mr. McFarlane. No.

Mr. **Liman**. Now, let's take us to what happened after your meeting with the President in the hospital. Was Don Regan the only other person present at that meeting?

Mr. **McFarlane**. It varied. Mr. Reagan was always present.

Mr. **Liman**. But when you presented this proposal——

Mr. **McFarlane**. He was there, and then within the matter of a day or so, the Secretary of State returned to the United States, and together we had a session with the President on this.

Mr. **Liman**. And did you review the same proposal when the Secretary of State was there?

Mr. **McFarlane**. Well, I had sent him the message and so forth, and I had reviewed it with him when he returned. I don't believe it was repeated in full before the President when the two of us met again, but he was conversant with the——

Mr. **Liman**. Was it discussed in the hospital when the Secretary of State was present?

Mr. **McFarlane**. I am not certain that it was.

Mr. **Liman**. Tell us what the next event, next milestone is that you recall.

Mr. **McFarlane**. Yes. The President came back from Bethesda and was in convalescence in the White House, in the residence, the family quarters, for 10 days to 2 weeks. And between the 21st of July, which I believe was the date on which he returned, and approximately the 8th of August, there were meetings in the residence with him by each of the cabinet officers in the National Security Council; that is, the Vice President, the Secretaries of State and Defense, Director of Central Intelligence and myself and my deputy, Admiral Poindexter.

There was at least one session in which all of the principles and the President were together and a rather fulsome discussion of the pros and cons, risks of going ahead with any kind of Israeli-brokered exchange with Iran was thoroughly vented.

The Secretary of Defense was very vocal in drawing out the legal implications and as well the policy implications, such as you have averted to already, were made by the Secretary of State.

The President's points were foremostly that he could imagine that if these people in Iran were legitimate and their interest of changing Iranian policy, and were against terrorism, that to provide them arms would not be at variance with his policy since he wasn't providing arms to Khomeini, but to people opposed to Khomeini's policies.

And that he would be willing to take the considerable public heat that would inure if this were tried and it failed because he could make that distinction.

The Secretaries of State and Defense argued against it. Other Cabinet officers expressed their views. The President, as was often the case when disagreement existed, didn't reach a decision at the moment.

Mr. **Liman**. Now, who did you understand and tell the President would be getting the arms?

Mr. **McFarlane**. Well, by this time—I will respond to the question. I should note there had been a third proposal made.

Mr. **Liman**. Why don't you go on with that?

Mr. McFarlane. We have covered the first one where no arms were talked about. Two weeks later, a second where 100 TOWs were requested and turned down. And then Mr. Kimche called in late July and asked to come and did in early August to visit me in the White House and the situation after reporting what his government and the Iranian intermediaries had talked about since 2 weeks ago on reported that or asked what if Israel were to sell the weapons, what would be the U.S. attitude and, more specifically, would Israel be willing or able once they had sold weapons to come to the United States to buy replacements.

We talked about it at considerable length, two hours or more, and my point was basically to focus on the policy issue that it is a matter of what your policy is, will you or won't you condone or endorse the sale of weapons to Iran; it is not a matter of whether or not Israel can buy replacements.

Israel has been buying arms from the United States for generations and will continue to do so, but he asked for the position of the U.S. Government, and I reported it to the President, it being the question whether or not he would approve Israel making sales under terms that Israel would negotiate and at some point coming to the United States, Israel, to buy replacement arms.

Mr. Liman. Now, was this the appropriate proposal that was discussed at that meeting that you talked about with all the principals being there?

Mr. McFarlane. That is correct.

Mr. Liman. And you were saying the President made the point that the arms were not going to be going to the extremists, but to the people who were opposed to Khomeini and the extremists; am I correct?

Mr. McFarlane. That is correct.

Mr. Liman. Who did you understand and tell the President would actually be getting these arms in Iran?

Mr. McFarlane. Well, it was represented to me by Mr. Kimche that the people with whom he was dealing—and this should remain——

Mr. Liman. This is public. You shouldn't name names if they are still classified.

Mr. McFarlane. Many have been made public and denials are on the public record.

Those subordinates who may still have some prospect of living, I think I will not mention, but that generically the Irans involved represented the highest level decisionmakers, but the principal advisers to them as well, both civilian, clerical, and military and that the circle of people of this persuasion—that is interested in change, included military, cleric, and government officials.

Mr. Liman. I am sure you are going to get some questions from the panel on this, but the point I wanted to get out on this direct is TOWs are not things you can carry in your pocket; right?

Mr. McFarlane. Right.

Mr. Liman. And you understand that the TOWs were going either to the military or to the guard in Iran?

Mr. McFarlane. Yes.

Mr. LIMAN. Was there any discussion in the presence of the President that somehow the guard or the military were not under the control of the Ayatollah Khomeini?

Mr. MCFARLANE. Yes, that there—that it was conceivable to us that there were elements within the military not completely devoted to the Ayatollah.

Mr. LIMAN. So, was a predicate of the discussion that the arms might be going to a group that the Ayatollah would not have control of?

Mr. MCFARLANE. It was conceivable. There were doubts.

Mr. LIMAN. And there was no way of verifying that?

Mr. MCFARLANE. No, but the President was very conscious of the risks and the impossibilities of that and did put two stipulations on any sales that were made. They included that they couldn't be of a size and number that would have had a significant effect on the balance or influence the condition of war with Iraq nor could they be weapons that would be easily adapted into terrorist use.

Mr. LIMAN. And the second condition?

Mr. MCFARLANE. That they could not be used for terrorism. There was a third really, also, although it was mine. That was that there could not be any major end item, which is the term of art for any completed major weapon like an airplane, a tank, something like that.

Mr. LIMAN. You told us, Mr. McFarlane, the President did not make a decision at this meeting at which he had the Secretaries and you and others present?

Mr. MCFARLANE. No, he did not.

Mr. LIMAN. Was there a discussion at this meeting that if the Israelis were permitted to sell and it came out, that it could be denied that the United States had authorized it?

Mr. MCFARLANE. Well, I have seen reports of others having made that notation, and it is true that quite a lot of the discussion focused upon the fact that what was being asked was approval for someone else to do something, not for us.

However, it seemed clear to me that the linkage was very apparent and that we had an obligation not to be naive that this did engage U.S. interests in a major way.

I have never felt for the past 10 years that there is such a thing as deniability.

Mr. LIMAN. Was that concept advocated at the meeting?

Mr. MCFARLANE. I frankly don't recall it being mentioned, but I have seen those reports, and it is true that what was discussed was that Mr. President, it is Israel who is going to be doing it, not the United States; that is true.

Mr. LIMAN. Now, after that meeting, did you hear from the President again?

Mr. MCFARLANE. Yes, within a matter of a day or two.

Mr. LIMAN. And did he give you his decision?

Mr. MCFARLANE. Yes, he did.

Mr. LIMAN. What was his decision?

Mr. MCFARLANE. His decision was to approve Israel being authorized to sell modest levels of TOW missiles or other military spares and items to Iran and to come to the United States and be allowed to purchase replacements, that they not affect the balance of the war, that they not be for terrorist purposes, and that they not include major end items.

Mr. LIMAN. To whom did you convey that decision?

Mr. MCFARLANE. To Mr. Kimche.

Mr. LIMAN. Did you tell Mr. Kimche that you did not want Israel to seek immediately replacement of the TOWs?

Mr. MCFARLANE. I didn't. But I think that he and I did understand that to minimize risks of disclosure, the replacements ought to be part of a normal procurement cycle. When they would be part of Israel's normal purchases from the United States.

Mr. LIMAN. Were you trying to avoid linkage?

Mr. MCFARLANE. That, too.

Mr. LIMAN. Now, there came a time when you learned that Israel had shipped the TOWs?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And did you learn that they shipped more than 100 TOWs?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Who told you?

Mr. MCFARLANE. I am not certain. It is possible it was Mr. Kimche. Could be Mr. Ledeen. I learned that there had been 508, I believe.

Mr. LIMAN. Did there come a time when you received a call from an Israeli representative telling you that as a result, an American hostage would be allowed to go free?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Was that a very unpleasant call?

Mr. MCFARLANE. Well, it was extremely disappointing.

Mr. LIMAN. Tell us about the call.

Mr. MCFARLANE. Well, it was the report from Mr. Kimche in Israel that, as a practical matter, they had run into difficulties with the Iranian intermediaries, that nonetheless, he believed that while his expectations that all hostages would be released had not been fulfilled, or would not be fulfilled, that we ought to continue the dialogue with them anyway, and that the United States could expect one hostage to be released within a couple of days.

His call must have been on or about the 10th to 12th of September.

Mr. LIMAN. Were you asked to play God and choose one hostage?

Mr. MCFARLANE. Yes. And I asked for Mr. Buckley.

Mr. LIMAN. And that was the subject of some anguish to be put in the position of having to choose?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And it brought home to you, I take it, what it really meant to be negotiating for hostages?

Mr. MCFARLANE. Well, it was very clear that this was not a—the kind of exchange that was proper.

Mr. LIMAN. And did you report to the President that as a result of the Israeli shipment, a hostage would be released?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. And you told him ultimately that it was Mr. Weir?

Mr. MCFARLANE. Yes, I did. I believe it was on a Sunday when we got word of that. I called Reverend Weir's family and arranged—and Colonel North arranged, I believe, for the rendezvous of the family with him in Norfolk.

Mr. LIMAN. Another 2- or 3-minute detour, I hope. We mentioned Mr. Ledeen. Mr. Ledeen was a consultant with the NSC?

Mr. McFARLANE. Yes, he was.

Mr. LIMAN. He was a person whom you had used for various missions in the past, think-tank types of things?

Mr. McFARLANE. More to simply gather information. Mr. Ledeen is well connected in a number of capitals of the world, where there are socialist governments, and was able to travel and report back things that we would not learn from other sources, and it was in that connection that we were—debriefed him after he traveled.

Mr. LIMAN. I am going to leave it to the panel to pursue anything more on Mr. Ledeen. I would ask you then, when is the next time you heard anything more about weapons to be transferred to Iran by Israel?

Mr. McFARLANE. Well, I think there were one or two false starts in the month of October, when Mr. Ledeen came to my office and reported that in meetings that he had had in Germany, usually, the Iranians had expressed interest in getting various kinds of weaponry that were extremely exotic and quite near the top of our inventory.

It was just out of the question. I told him so. But the next concrete proposal that was made I believe occurred in November of 1985, when I had a visit from the Defense Minister of Israel.

Mr. LIMAN. That was Mr. Rabin?

Mr. McFARLANE. That is correct.

Mr. LIMAN. Tell us about that.

Mr. McFARLANE. Well, it was clear that his purpose was to reconfirm that the President of the United States still endorsed this concept of Israel negotiating these arms sales, and I told him, based upon recent questions and reaffirmation by the President that I had received, yes, he does, and he said all right; he expressed some of his own misgivings, and——

Mr. LIMAN. What do you mean by that?

Mr. McFARLANE. Well, it would seem to me Mr. Rabin had some concerns about the reliability of the Iranians with whom we were dealing or with whom he was dealing, and I concurred in that. By this time, we were getting intelligence from various sources on the way in which the Iranian intermediaries were conducting themselves with Tehran, and there were very graphic evidence that these were not your normal Western Jeffersonian kinds of persons.

Mr. LIMAN. You knew one of them was Ghorbanifar?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And he was a merchant?

Mr. McFARLANE. That is charitably put.

Mr. LIMAN. And you had some question as to what his motives were?

Mr. McFARLANE. Yes.

Mr. LIMAN. And his reliability?

Mr. McFARLANE. Yes.

Mr. LIMAN. Had you discussed this at all with the President?

Mr. McFarlane. Not at any length, a passing reference here or there. I did have a quite lengthy conversation with the President after we returned from the summit.

Mr. Liman. Well, let's stay before you returned. You told Mr. Rabin, Minister Rabin, that the authorization for Israel to continue to sell subject to replenishment remained in effect?

Mr. McFarlane. That is correct.

Mr. Liman. And that, you said, was based on some conversations you had with the President?

Mr. McFarlane. That is correct.

Mr. Liman. And the President had told you that he still was willing to pursue this endeavor?

Mr. McFarlane. Yes, he did.

Mr. Liman. So long as it didn't change the balance of power and met the other conditions that you have outlined?

Mr. McFarlane. Yes.

Mr. Liman. Now, did Minister Rabin tell you that Hawks were on the list of what the Iranians wanted?

Mr. McFarlane. He may have. Surely, I learned it within a matter of 2 or 3 days.

Mr. Liman. Was the next thing that some phone calls you received in Geneva?

Mr. McFarlane. That is correct. Hence I got to Geneva——

Mr. Liman. Let's stop on that. You were in Geneva with the President and with the Secretary of State for a summit meeting with the Soviets?

Mr. McFarlane. That is correct.

Mr. Liman. And this was the first meeting of the President and the new Soviet leader?

Mr. McFarlane. That is true.

Mr. Liman. And it was a matter of some importance?

Mr. McFarlane. Yes.

Mr. Liman, Mr. Chairman, I don't want to——

Mr. Liman. I am not going into the subject, the agenda of that.

Mr. McFarlane. No. I don't mean to obfuscate, but we are treating the Iran matter.

I think one can easily get the impression that it was absorbing virtually all of our time and that nothing else was going on in the government, and that may be misleading. I will proceed however you wish, but this was really receiving very little attention. That is fairly important.

Mr. Liman. The summit was receiving your main attention at that time?

Mr. McFarlane. That is correct. That goes back several months.

Mr. Liman. And you had other issues as well on the burner?

Mr. McFarlane. Yes, we did.

Mr. Liman. When you were in Geneva, did you receive a phone call about a shipment to Iran?

Mr. McFarlane. Yes.

Mr. Liman. Who called you?

Mr. McFarlane. Mr. Rabin called from New York to say that he had a problem that had come up in the transfer of certain items. Being a cautious man I doubt Mr. Rabin mentioned Hawks on an open telephone line, but his point in calling me was was there anyone in the United States that might be able to help him. He was in New York City.

I said that I would have someone be in touch with him, and I got in touch with Admiral Poindexter and Colonel North and summarized what I had been told by Mr. Rabin; and I said please take steps to see if you can be of help.

Mr. LIMAN. You understood at that time that he was talking about the shipment of arms; correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. And by that time you understood he was talking about the shipment of Hawks?

Mr. McFARLANE. Well, I think it probably took one more signal from my staff back to me before I learned that, but I knew about it within a day.

Mr. LIMAN. While you were in Geneva?

Mr. McFARLANE. Yes.

Mr. LIMAN. And what, if anything, did you ask your staff to do?

Mr. McFARLANE. To get in touch with Mr. Rabin, find out the details of the problem, and if feasible, try to help him solve it.

Mr. LIMAN. And did you receive a report back that they were on top of it and we are getting it solved——

Mr. McFARLANE. Yes. I had a——

Mr. LIMAN. At home?

Mr. McFARLANE. Report from Colonel North saying that the nature of the problem was twofold, one that Israel had arranged for a shipment but it was on an El Al airplane which might raise eyebrows if it drove into Teheran.

And secondly, that their route of travel was going through a third country with whom they had not arranged customs clearances for these items in question, and that he believed that he could help solve the first problem but that the second problem with the government of this weigh station on the way would perhaps need an intervention from my level to ask their cooperation. And I asked that he keep me informed and I reported to the President.

Mr. LIMAN. Now, did you report to the President that a shipment of arms from Israel was on the way?

Mr. McFARLANE. Yes.

Mr. LIMAN. Did you report to him that there was hope or expectation that hostages might be released as a result?

Mr. McFARLANE. Yes, I did.

Mr. LIMAN. And did there come a point during your European trip that you telephoned the foreign minister of this third country to try to expedite clearance for the flight?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And did you learn at any time while you were in Europe for the summit meeting and the aftermath that Colonel North had solved the transportation problem by bringing in General Secord?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. I'll ask you to look at what has been marked as exhibit 1, which is a letter to Major General Secord. It bears your—it is exhibit 1. It bears the name Robert C. McFarlane, but it is signed Colonel North.

You don't have it?

Mr. **McFarlane**. That's all right. I've seen it before.

Mr. **Liman**. I can read it.

> Your discreet assistance is again required in support of our national interests. At the earliest opportunity, please proceed to—the third country—and other locations as necessary in order to arrange for the transfer of sensitive material being shipped from Israel. As in the past, you should exercise great caution that this activity does not become public knowledge. You should assure that only those whose discretion is guaranteed are involved.
>
> Signed, Oliver North, Robert C. McFarlane.

Did you know that this letter was being sent out by Colonel North?

Mr. **McFarlane**. I don't think so. I have no recollection of it at all.

Mr. **Liman**. It begins with, "Your discreet assistance is again required."

Had you ever asked for General Secord's discreet assistance before?

Mr. **McFarlane**. I had not, no.

Mr. **Liman**. Were you aware of any request by North at that time for his discreet assistance before?

Mr. **McFarlane**. No, I wasn't.

Mr. **Liman**. In any event, by the time you left Europe did you know that the shipment had been consummated of some Hawks?

Mr. **McFarlane**. Well, I expected that it had. I don't believe I heard further, but I knew I would have heard further if it didn't, so I assumed that it did.

Mr. **Liman**. Was there any discussion in Geneva about a cover story that some oil drilling equipment was being sent, not Hawks?

Mr. **McFarlane**. Well, it is a little unclear to me. I do recall that in the exchange with Colonel North, that there was uncertainty as to just what was in the shipment. I was in no position to know. Oil drilling equipment came up, and I recall having seen intelligence reports reflecting that Israel believed that oil drilling equipment might have as much of an effect in Iran as weapons.

But the short answer is that I believe he determined during the course of those two or three days of the summit that it was, in fact, weapons.

Mr. **Liman**. You knew it was—you were told it was weapons?

Mr. **McFarlane**. Yes.

Mr. **Liman**. It was Hawks?

Mr. **McFarlane**. Yes.

Mr. **Liman**. Rabin asked your permission to send weapons?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And there is a way of using euphemisms, when you are on the phone, of calling weapons by different names. We have seen that in all sorts of messages, right?

Mr. **McFarlane**. Yes. And I don't know that that wasn't the case here. But neither do I know that he may have believed that.

Mr. **Liman**. Was there any effort at discussion of a cover story in Geneva that if this came out, it would be called oil drilling equipment?

Mr. **McFarlane**. No, there wasn't.

Mr. LIMAN. You, then, on November 30 submitted your resignation effective, I think, 10 days later as National Security Adviser? Is that correct?

Mr. McFARLANE. It is a small difference. I didn't come back to my office. I came from Europe to Washington to home to California without stopping in the White House and talked over this project and my resignation and then came back with President Reagan to the White House and resigned.

Mr. LIMAN. And your resignation, the effective date was postponed for a week or so?

Mr. McFARLANE. It was tendered on the fourth, and it was on the payroll until January 4th, and I stopped functioning within about 5 days.

Mr. LIMAN. Did you know that while you were back in the United States, that Colonel North was meeting with Ghorbanifar?

Mr. McFARLANE. Well, depending on the timing of when it happened, it may have been at my direction because the item I discussed with the President was that looking back over the September, October, November experience of those 3 months, the Iranian initiative seemed to me to have not fulfilled our purpose of getting in touch with Iranians, and secondly, that there agenda of getting weapons was different from ours, and that we ought to try to get in touch with them directly without intermediaries to say that there would be no further arms sales.

Mr. LIMAN. Were you told during this period of the first week or so of December that Richard Secord was meeting with the Iranians as an intermediary?

Mr. McFARLANE. I don't think I was, although I did encounter him, as you know, in London on December 8th.

Mr. LIMAN. We will come to that in a moment. Did you know that he was meeting with the Israelis to discuss the venture?

Mr. McFARLANE. I don't believe so, no.

Mr. LIMAN. Did you ask him to act as a representative of the United States in trying to put this together again?

Mr. McFARLANE. No.

Mr. LIMAN. Now was the subject of arms sales to the Iranians discussed on December 7 at a meeting of the principals, some of the principals of the National Security Council?

Mr. McFARLANE. Yes. When the President and I discussed the situation, as I have just summarized it, he said, "Fine. When we get back to Washington, let's have a meeting of the guys," which was the Secretary of State, Defense, the DCI, myself and the Vice President, and Mr. Regan, and one was set for December 7th, and it was held.

Mr. LIMAN. And do you recall that Mr. McMahon came in lieu of Director Casey?

Mr. McFARLANE. Yes, that is correct.

Mr. LIMAN. Now, do you recall what proposal was put on the table at that meeting?

Mr. McFARLANE. Well, it was a meeting to review what has taken place since the President's approval of August and the negative viewpoints of the Secretaries of State and Defense to the effect that we hadn't achieved our purpose, and it was going—degenerating into an arms-for-hostage arrangement were very emphatically made, and it was a matter of consensus—there was no disagreement really—that our attitude should be one of openness to purely political discourse, but that we should not agree to sell weapons or to encourage others, like Israel, to do so.

Those were my instructions and I was directed to go to a meeting with Ghorbanifar in London the next day and make those points.

Mr. LIMAN. Do you recall at that meeting any discussion by the Secretary of Defense that it was not legal for Israel to be selling these weapons subject to an agreement by the United States to replace them?

Mr. MCFARLANE. It doesn't stand out. However, he had made the point in law back in August of that year, and so it is very likely that he would made it again.

Mr. LIMAN. He expressed himself, in any event, very strongly on this subject, that we should not sell weapons; is that fair?

Mr. MCFARLANE. That is correct, yes.

Mr. LIMAN. And so did the Secretary of State?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And is it true that Don Regan also expressed himself against the sale of weapons?

Mr. MCFARLANE. I believe so.

Mr. LIMAN. And at this point you were a person who had doubts?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And did the President take a position on the sale of weapons at that meeting?

Mr. MCFARLANE. Well, he approved the position of no sales being conveyed to the Iranians, yes.

Mr. LIMAN. So that the President, as you recall it, the President's view was that there should not be sales?

Mr. MCFARLANE. Yes, it was a position in which he was disappointed, frustrated that things had not gone better, but resigned to accepting that if that was the case, don't go ahead.

Mr. LIMAN. Now, you then went over to London to meet with the Iranian representative?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And that was Mr. Ghorbanifar?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Do you recall whether before you met him you were briefed by General Secord?

Mr. MCFARLANE. When I arrived I believe I went to the Hilton Hotel and met Colonel North. Although, in passing was introduced to General Secord, Colonel North made clear that they did have General—General Secord had business interests in Europe.

I would not have, don't recall today, there was a briefing by General Secord at the time. I did have a morning meeting with Mr. Kimche of Israel, where I summarized what my instructions were for the meeting with the Iranians.

And he expressed his concern and stated that we needed to be patient, that these things weren't concluded. And in a short time I told him what my instructions were, and we arranged to see each other then in the meeting in the afternoon, which occurred, I believe at 3 o'clock.

Mr. LIMAN. And did you meet with Mr. Ghorbanifar in Nimrodi's apartment?

Mr. McFarlane. Yes, we did.

Mr. Liman. And do you know whether Secord was there?

Mr. McFarlane. If you had asked I would have said no, but I understand that he was.

Mr. Liman. You understand that from his testimony?

Mr. McFarlane. Yes.

Mr. Liman. There were a group of people there while you were meeting?

Mr. McFarlane. That is correct.

Mr. Liman. And you had an agenda that talked about an opening with Iran in the areas in which we might have some common interests?

Mr. McFarlane. That is correct.

Mr. Liman. And when you met with Mr. Ghorbanifar, you found his agenda was quite different; correct?

Mr. McFarlane. That is correct.

Mr. Liman. A certain number of TOWs for each hostage?

Mr. McFarlane. Yes.

Mr. Liman. And that revolted you?

Mr. McFarlane. Yes, that is correct.

Mr. Liman. And you left?

Mr. McFarlane. Yes.

Mr. Liman. And as far as you were concerned, you didn't want anything more to do with Ghorbanifar, is that fair to say?

Mr. McFarlane. Yes.

Mr. Liman. Were you told either by North or by someone that the position you were taking, which is to turn this whole thing off, no more arms, and an insistence that all the hostages be released right away, might lead to reprisals against the hostages?

Mr. McFarlane. Yes, I believe Oliver felt that way and said so; and I acknowledged that it wasn't without risk.

Mr. Liman. Did you have a sense then that at that point we were now being as a country held hostage to the hostages?

Mr. McFarlane. Yes.

Mr. Liman. That we were in this catch-22, that to sell arms would violate our policy, and to take a tough position might result in the hostages being killed?

Mr. McFarlane. Yes. I had to say I did not think personally that that was likely.

Mr. Liman. But did you not report that to the President, that that was a possibility when you returned?

Mr. McFarlane. Others report that I did; and I can accept that I did. I believe, frankly, Ollie reported that. He was in the meeting.

Mr. Liman. But it was reported to the President——

Mr. McFarlane. Yes.

Mr. Liman. —that to turn this off created the risk that the hostages would be killed as a reprisal?

Mr. McFarlane. That is correct.

Mr. Liman. Now, I would like you to look at what I believe is exhibit 49.

Do we have that here?

Could you hold one second before you turn to it.

45A.

[Exhibit 49 appears at p. 630; exhibit 45A appears at p. 599.]

This memo which is dated December 9, was sent at about the time you were leaving your position; am I correct?

Mr. McFARLANE. Yes.

Mr. LIMAN. Do you know whether your read it?

Mr. McFARLANE. I don't. I don't believe so.

Mr. LIMAN. All right.

You will note that on page 3 under, "do nothing"—do you see page 3?

Mr. McFARLANE. Yes.

Mr. LIMAN. Colonel North says,

> Very dangerous since United States has, in fact, pursued earlier Presidential decision to play along with Ghorbanifar's plan. United States reversal now in midstream could ignite Iranian fire—hostages would be our minimum losses.

Mr. McFARLANE. And then it goes on to say,

> There is a fifth option which has not yet been discussed. We could, with an appropriate covert action finding, commence deliveries ourselves, using Secord as our conduit to control Ghorbanifar and delivery operations.

Do you recall that proposal being made at all?

Mr. McFARLANE. No, I don't.

Mr. LIMAN. Do you recall any discussion of that by Colonel North on the plane back from Europe?

Mr. McFARLANE. No. And I—when I saw this in the last month or so, it seemed striking to me that knowing how I felt, and being there at the meeting and having taken notes of what I had said, that he would recommend with any serious expectation that a fundamentally Contradictory course.

Mr. LIMAN. When you say he would recommend a contradictory course, that is Colonel North?

Mr. McFARLANE. Yes.

Mr. LIMAN. So that you were in a position in which the Secretary of State was opposed to selling arms to this venture, the Secretary of Defense was opposed to it; correct, both of them?

Mr. McFARLANE. Yes.

Mr. LIMAN. And it was not an every-day occasion when both of them agreed on any policy; is that fair to say?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And you now were very much opposed to it?

Mr. McFARLANE. Yes.

Mr. LIMAN. Don Regan was opposed to it?

Mr. McFARLANE. Yes.

Mr. LIMAN. And here all of a sudden a man who was your subordinate up until, I guess, the day he wrote this memo, is recommending a course of pursuing the venture?

Mr. McFARLANE. As I say, I didn't see that, and it is surprising.

Chairman HAMILTON. Mr. Liman, may I interrupt just a moment? I think it might be worth pointing out that these exhibits that have been shown are available to members and have been available to members without with blacked-out portions. I don't want to give the impression that we have not had access to the completed documents.

Excuse the interruption, please.

Mr. LIMAN. It is also true, with the exception of one or two exhibits which we recently received, and which we have already been over, Mr. McFarlane has seen the exhibits in their unredacted form.

Chairman HAMILTON. Thank you.

Mr. LIMAN. Now, Mr. McFarlane, you said at the December 7 meeting, the President was opposed to going forward with the arms sales at that time. I ask you to think back, and I know a lot of events have transpired, are you positive that that was his position on December 7?

Mr. MCFARLANE. Well, I believe that I portrayed today his position as one of approving the consensus recommendation. He was not pleased by it, nor——

Mr. LIMAN. What was his point of view as he expressed it before the consensus developed?

Mr. MCFARLANE. Well, the points that he had made earlier about distinguishing between Iranians of genuine opposition to terrorism and Khomeini, and his willingness to try to identify and establish dialogue with those who were truly opposed to terrorism, and that strengthening them to include with arms was a legitimate thing to do.

Mr. LIMAN. Did the President not express at that meeting a great deal of feeling for the plight of the hostages?

Mr. MCFARLANE. The President was always very concerned about that. I don't recall it standing out at that meeting.

Mr. LIMAN. Do you recall any discussion at that meeting by the President that he was willing to take the heat for making a decision to try to save the hostages?

Mr. MCFARLANE. He said that more than once. I believe he said it at the outset in August, and it is very possible that he said it on December 7.

Mr. LIMAN. But you have no recollection of that kind of discussion at the December 7 meeting?

Mr. MCFARLANE. I don't.

Mr. LIMAN. So that, as you sit here today, the President went along with the consensus which was no arms sales, everyone was against arms sales. Do you have any explanation then as to how in January, things got reversed and the President signed a finding authorizing arms sales?

Mr. MCFARLANE. Well, perhaps I am misunderstanding you. I think after I returned, the kind of conversation that you describe occurred during the debriefing of that meeting, and I think on December 11 or so that then, after I had said I have conveyed these points, and that they had not accepted them, and that I found Mr. Ghorbanifar untrustworthy, in the discussion which followed the President made the point, I believe, of why couldn't we continue to let Israel manage this program, and was expressing and searching for, I think understandably, ways to keep alive the hope for getting hostages back, and it is quite true that the President was profoundly concerned for the hostages.

Mr. LIMAN. Did the President ever suggest that Britain might be able to sell weapons to Iran since it didn't have any rules or laws against it?

Mr. MCFARLANE. I don't remember that.

Mr. LIMAN. Now, you then left office in December.

Mr. MCFARLANE. Yes.

Mr. **Liman**. Did you ever, incidentally, in talking to the Israelis about the original TOW sale, tell them they could get the TOWs back for nothing?

Mr. **McFarlane**. No.

Mr. **Liman**. Did there come a time in January when you received a message from North asking you what your understanding was with the Israelis?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And do you recall—and this is reflected in a note telling him that the understanding was that they would purchase them, but you hadn't agreed with them on what the price would be?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. Now—and that is exhibit 45B. Were you told that the President signed a finding in January?

[The exhibit appears at p. 607.]

Mr. **McFarlane**. I was told, I am not certain of when, but I was told, I believe by Admiral Poindexter.

Mr. **Liman**. Was your advice sought?

Mr. **McFarlane**. No.

Mr. **Liman**. Were you asked in January whether you would be willing to undertake a summit meeting with the Iranians?

Mr. **McFarlane**. It doesn't ring a bell. It is possible. I tended to think, as I thought in December, that it was the wrong course to follow.

Mr. **Liman**. Were you told when you heard from Admiral Poindexter that a finding had been signed, that a decision had been made not to use the Israelis, but to use Secord?

Mr. **McFarlane**. That doesn't stand out at all, though I did learn of General Secord's involvement in January 1986.

Mr. **Liman**. And what was the involvement that he had as it was described to you?

Mr. **McFarlane**. Well, it wasn't precisely clear to me, but I did take it that his involvement was in arranging for transportation, that is aircraft charters, to ferry things from one point, as in Israel, to Iran, and so forth.

Mr. **Liman**. Did you know that he was to be a middleman in the transaction?

Mr. **McFarlane**. No, I didn't.

Mr. **Liman**. Did you know that he was to be whatever a commercial cut-out is?

Mr. **McFarlane**. No, I didn't.

Mr. **Liman**. Have you ever heard that term?

Mr. **McFarlane**. Cut-out, not commercial cut-out.

Mr. **Liman**. What is a cut-out?

Mr. **McFarlane**. A cut-out is a person who masks the involvement of the CIA by being a person not clearly involved with the CIA, that is the operative, agent, concluding the deal with the foreign country.

Mr. **Liman**. And am I correct that you were not told that the weapons were being sold to General Secord at one price, and that he was selling the weapons to the Iranians at a higher price?

Mr. **McFarlane**. No, sir.

Mr. LIMAN. And that there was going to be a surplus or profit generated?

Mr. MCFARLANE. No, sir.

Mr. LIMAN. When was the first time you learned anything about that?

Mr. MCFARLANE. The first time that I had heard that there were any pros at all, and——

Mr. LIMAN. Was that the tarmac reference?

Mr. MCFARLANE. Yes. In May of 1986?

Mr. LIMAN. We will come to that.

Now, there came a time, I take it, when you were asked by Admiral Poindexter to undertake a mission to meet with the Iranians.

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And you agreed to do that?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And do you recall, sir, that—and if you look at exhibits 45C, D, E, and F, and you have been over these before. There is a series of PROF messages that were exchanged between you and North on the 27th of February. Now, am I correct that after you left your position as National Security Adviser, you kept a machine that named you to communicate with the NSR.

[The exhibits appear at pp. 609 through, 614.]

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And that is what these PROF messages are transmitted by.

Mr. MCFARLANE. Yes.

Mr. LIMAN. It is a computer terminal.

Mr. MCFARLANE. Yes.

Mr. LIMAN. All right. And do you recall being told by North in these messages, and I will try to summarize them so we can move along, that he had participated in a meeting in Frankfurt, Germany, with an official of the Iranian regime?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And do you remember that he told you an agreement had been reached that all hostages would be released shortly after you had your summit meeting with the Iranians?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And do you recall that he told you that Poindexter and Casey were still somewhat skeptical about whether there should be a meeting?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And that he then communicated with you and told you that Casey and Poindexter were on board and that with the grace of God, to quote him, five hostages might soon be released?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And do you recall that you responded to him—and this is 45E, in rare extravagant terms——

Mr. MCFARLANE. Yes.

Mr. LIMAN. "Roger, Ollie, Weldon, if the world only knew how many times you have kept a semblance of integrity and gumption to U.S. policy, they would make you Secretary of State."

Mr. MCFARLANE. I recall.

Mr. LIMAN. And what were you referring to?

Mr. McFarlane. You know, I am surprised. They function quite apart from communicating substance between people, and has been understood by your own staff and myself, in some of these communications was to build more rail, to ease considerable state of exhaustion, and in this particular case, that was the circumstance.

Mr. Liman. This was to lift his morale?

Mr. McFarlane. That is right. And when it involves a certain amount of high hyperbole, I don't think it is of any benefit to anyone to take that out of context and imply something else.

Mr. Liman. And that is the context in which it was used?

Mr. McFarlane. That is correct.

Mr. Liman. Do you recall that North then responded to you and suggested that you meet with Poindexter and Secord?

Mr. McFarlane. Yes.

Mr. Liman. And he told you that Secord was in Europe arranging for the delivery of arms for the Contras in that same PROF note. That is 45F.

Mr. McFarlane. I will take your word for it, yes.

Mr. Liman. Now, did the meeting with Admiral Poindexter and Secord and you ever take place?

Mr. McFarlane. No.

Mr. Liman. Is it a fact, sir, that before you went to Teheran you did not have a meeting with the President on the subject?

Mr. McFarlane. No, I didn't.

Mr. Liman. Now, you understood that this was a dangerous mission.

Mr. McFarlane. Yes.

Mr. Liman. And you undertook it with some reluctance, I take it, because of some doubts about whether it would succeed.

Mr. McFarlane. Yes.

Mr. Liman. And am I correct that you had exchanged some telexes or PROF messages with Admiral Poindexter on April 21 in which Admiral Poindexter had instructed you clearly and unambiguously that unless the hostages were released upon your arrival, there were to be no arms shipments?

Mr. McFarlane. That is correct.

Mr. Liman. And you had sent him back a message, and these are 45A and B, applauding him for his firmness?

Mr. McFarlane. Yes.

Mr. Liman. And those were your instructions?

Mr. McFarlane. That is correct.

Mr. Liman. And when you went to Teheran, you weren't there to engage in a negotiation of the type you had in London of one hostage for *X* number of TOWs, et cetera.

Mr. McFarlane. That is correct.

Mr. Liman. You understood the personal danger of going to Teheran.

Mr. McFarlane. Yes.

Mr. Liman. You were going with a false passport.

Mr. McFarlane. I took my own. I understand that others were carried. But, yes, I understood that.

Mr. Liman. And you went on a plane that carried Hawk missile parts.

Mr. McFarlane. Yes. I think that to me it was understandable that people conducting meetings with Americans were surrounded by great numbers of extremist people and consequently that the desire for operational security or keeping this private was very understandable.

So I was not put off by the idea of not having a red carpet and gun salute and all of the trappings like that. This was a reasonable masking of the party.

Mr. Liman. That isn't what I was suggesting. I was suggesting that you went there under conditions in which you had no real safe conduct.

Mr. McFarlane. True. Yes.

Mr. Liman. And you went there with the hope—no assurance—that those hostages would be released.

Mr. McFarlane. Yes. I was relying upon the confidence of others that finally they had come to terms that would be fulfilled, but I thought that there was a high risk that that would not happen.

Mr. Liman. And is it fair to say that your visit to Teheran is well documented in those memos and messages that are printed in the Tower Report?

Mr. McFarlane. Pretty well, yes.

Mr. Liman. And that you found when you arrived there that you were not met by the top official that you had been told you would meet with?

Mr. McFarlane. That is correct.

Mr. Liman. And you found that, contrary to the assurances that had been conveyed to you, the Iranians were not ready to secure the release of the hostages?

Mr. McFarlane. Yes, that's right.

Mr. Liman. And you found that, indeed, you were being pressed to deliver the rest of the Hawk parts before the hostages were released?

Mr. McFarlane. That is correct.

Mr. Liman. And you also had some demands added that you found outrageous and incredible——

Mr. McFarlane. Yes.

Mr. Liman. Such as that the United States pay for the upkeep of the hostages, correct?

Mr. McFarlane. Yes.

Mr. Liman. And that you get Israel to withdraw from the Golan and other territories?

Mr. McFarlane. Yes.

Mr. Liman. And that you get Kuwait to release prisoners?

Mr. McFarlane. Right.

Mr. Liman. And you described the quality of the negotiations in one of your first messages from there, when you talked about what the picture was like, saying it may be best for us to try to picture what it would be like if after nuclear attack a surviving tailor became Vice President, a recent graduate student became Secretary of State, and a bookie became interlocutor, et cetera. Those were your words. You found this wasn't like opening the doors to China, dealing with Chou En-Lai.

Mr. McFarlane. No.

Mr. LIMAN. And did you also one evening awake to find that Colonel North had ordered the plane that was still in Israel with other Hawk parts to come forward and deliver them?

Mr. MCFARLANE. The plane was in the air and——

Mr. LIMAN. Tell us about that incident.

Mr. MCFARLANE. Well, I was told that the second aircraft—I had come in on the first of three—that the second of three was on its way into Tehran and this was the product of discussions during the night with Iranian interlocutors, Ghorbanifar, Colonel North, and Mr. Nir and that they believed that they would have by morning two hostages turned over to U.S. custody in Lebanon; and I said that was unacceptable and that the aircraft should be turned around and sent back.

Mr. LIMAN. Were you pressed, Mr. McFarlane, to agree to exchange the HAWK parts for two hostages?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And to leave the other three for further discussions?

Mr. MCFARLANE. Well, yes, by Mr. Nir with some strength, but the others understood my reasoning, I think. I don't know whether they agreed with it or not, but it was pretty emphatic.

Mr. LIMAN. And it was a principle decision that you were not going to engage in that kind of trading?

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And so when the Iranians said that they were not going to or could not secure the release of the hostages, you got on the plane with the group and left?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And you carried out the instruction that you had gone with, which was no more arms if those hostages were not released?

Mr. MCFARLANE. That is correct. I had checked first with the President. I had recommended against it and he concurred.

Mr. LIMAN. You recommended against a delivery of the arms?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. And the President concurred?

Mr. MCFARLANE. Yes, sir.

Mr. LIMAN. And you checked with him by secure communication?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. Now, while—did you have a discussion with Colonel North about the proceeds of the sale?

Mr. MCFARLANE. Not truly a discussion. If you are referring to the tarmac exchange, that is a very short bit of news that I learned.

Mr. LIMAN. Where did it occur and tell us in your own words what you recall of what Colonel North said?

Mr. MCFARLANE. We left Tehran in the morning, Tehran time, so it would have been darkness here in this country. So I didn't take time to try to reach Admiral Poindexter or anyone else.

We got on the plane and went back to Israel and upon arrival in the afternoon, by which time people in Washington would have been at work, I asked the communicator to set up the secure radio right there at Ben-Gurion, the airstrip. And while waiting for him to do that, the others in my party were unloading the baggage and personal effects from the aircraft and I suppose I was obviously dispirited by the events in Tehran and Colonel North, I think, in an effort to be supportive, mentioned to me offhandedly that I shouldn't count it a total loss, that we are applying some of the funds from the Iranian connection to Central America, or words to that effect. And I was a little startled.

I went ahead at the time to get on the radio by this time connected to Admiral Poindexter and reported the completion of the mission and asked for instructions recommending that I simply proceed back to Washington and he acknowledged that and said, fine, go ahead, he would advise the President, and that he would look forward to getting my debrief when I got back.

As I recall, I got off the radio and by this time there was someone from the Shinbet that picked me up and took me around the airfield to the other side of it where an aircraft was waiting to take us ultimately back to the United States.

Colonel North had gone on, I was told, to see about whether or not a separate effort to secure the release of hostages that involved perhaps the DEA connection that was being played out in Cyprus had been fruit or not and ultimately I went back to Washington.

Mr. LIMAN. Let's make the record absolutely clear. When you said that you communicated with Washington through this secure link, and that you got the approval from the President to return, you did not communicate to Washington what Colonel North had just told you about the application of the proceeds of the sale?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. Did you ask Colonel North whether he had obtained any approval from Admiral Poindexter or anyone else for the application of the proceeds?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. Did you give any thought as to how the proceeds could be applied to Central America?

Mr. MCFARLANE. No, I didn't. I was operating, Mr. Liman, under the context of a request to return and carry out a mission in government as someone who was not in the government, who had no authority to know nor need to know matters beyond what it required to carry out my mission.

Mr. LIMAN. Were you uncomfortable with what he told you?

Mr. MCFARLANE. Yes. It was of a piece with a half dozen items that I had learned which seemed to me either unorthodox or very risky, but I was not in the government and I took it to be part and parcel of a number of things that I learned, however.

Mr. LIMAN. These were things that you learned that North was doing while you were in Tehran?

Mr. MCFARLANE. In connection with this trip, yes.

Mr. LIMAN. And are those things that caused you the concern that led you to send a PROF message to Admiral Poindexter suggesting that North be sent to Bethesda?

Mr. MCFARLANE. Well, I don't think I recommended that. I had known Colonel North for years and years, and had felt responsible when I left that he ultimately have an assignment of command in the Marine Corps, and had intervened to try to make that possible before I left. I wanted it to happen even 6 months after I left.

The Bethesda connection has nothing to do with anything except that I knew that as a consequence of injuries and back problems and leg problems, that the Marine Corps had tried to discharge Colonel North for injuries in combat and that that was one course of action that one had to keep in mind, but the preference was that he be given what he deserved, which was command.

Mr. LIMAN. Now, when you returned to Washington, did you have a meeting with Admiral Poindexter and the President?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. Did you see Admiral Poindexter first?

Mr. MCFARLANE. Probably for a moment or two, and then we went on to see the President.

Mr. LIMAN. Did you—you reported to them on the trip, I take it?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Did you report to them on what North told you about the use of the money for Central America?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. And when he said to you that it was being used for Central America, is it fair to say you understood he was saying it was being used for the Contras?

Mr. MCFARLANE. Yes. I took it to be a matter of approved policy and one of which the Government must be witting.

Mr. LIMAN. What do you mean by the approved, an approved policy?

Mr. MCFARLANE. The decisionmakers, Admiral Poindexter, the DCI, the other principals who would have to be party to that kind of decision.

Mr. LIMAN. You did not know at that time that there was a middleman's profit that could be used?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. Your understanding at that time was that this was a sale by the CIA to the Iranian Government?

Mr. MCFARLANE. Well, I did know there was a finding. Therefore, I deduced that the CIA was involved, and I also rationalized, I guess, that the CIA would probably have hired some cutout and that they would naturally turn to someone of known reliability or someone who had worked for them.

So it didn't seem to me out of place that General Secord might have become inv~~olved~~ in that way.

Mr. LIMAN. Were you told that it was General Secord who was applying the funds?

Mr. MCFARLANE. I wasn't told who or what or how or anything else about the funds.

Mr. LIMAN. When was the next time you had any discussion with Oliver North about this subject?

Mr. MCFARLANE. In November of 1986.

Mr. LIMAN. When did that occur? What was the occasion?

Mr. MCFARLANE. It occurred on November 18 or 19—on the 18th, Admiral Poindexter and I and Dr. Keel had lunch in Admiral Poindexter's office. He told me that he was under the gun to get an accurate chronology of events in the Iranian initiative prepared and that Colonel North was asked to put it together. He wanted to know if I would be willing to review it and add or check the accuracy of it. I said that I would.

That evening I had a call—late afternoon—Colonel North, I believe, saying that they were going to have something ready by about 8:00 and could I come, and I did. And when I got there, in Colonel North's office, there were two items being worked on. The first was an opening statement that I was told would be used by the President in a press conference the following night, the 19th, and would I look at that, too. So I did, and it seemed to me to be incomplete in a number of respects.

So I sat down and, using Colonel North's machine, PROFs machine, prepared a three-section draft for consideration by Admiral Poindexter, and I was told that he had gone home, and I sent it to him at his home. He had a machine at home.

And in the process of working on the third section, I had an answer from the Admiral basically saying that he agreed with the first two sections and, at any rate, I spent about an hour and a half, perhaps more, writing that revised opening statement.

I got up hoping to leave and was asked if I would look over the chronology. The chronology was being worked by four or five staff officers in the office there, and they were adding bits and pieces, in a not unusual cut and paste kind of process.

There was a basic document which Colonel North called the master that he was working from, which I was told had been prepared by the CIA officer from the Middle East section, and he asked me to look over it, and I began to go through it and found right at the beginning a number of mistakes and pointed them out to him, and it was understandable, because the CIA officer involved had not been himself involved in the early stages of the Iran opening.

Mr. LIMAN. Was this the occasion on which the next mention was made to you of the use of the proceeds of the Iranian sale for——

Mr. McFARLANE. Yes. I am getting to that. I am sorry to be a little deliberate in approaching it.

Mr. LIMAN. You were saying that the CIA had been working on the chronology. I am sorry. And that they were not fully familiar with the early events?

Mr. McFARLANE. Yes. But I pointed out to Colonel North a number of places where I thought it needed changing. He said "Fine. We will take care of that." I came to the place in the master where it treated the President's involvement in the original decision. It seemed to me not quite accurate.

And I asked those there who had written it and who had written other contributions which were lying on the table there, and no one seemed to know. I took one that had been proposed as an insert to the text there, and it had two paragraphs on it, one of them treating the President's decision, and it said, in so many words, that the President did not approve the September second arms shipment.

Well, that is technically a true statement, but it is not a complete statement to the extent that his authority approved in August was given for Israel to negotiate sales without any need to come back to him for approval of each specific one.

And so, to say that he did not approve the September second shipment is technically accurate, but misses the point that he did provide the original authority that allowed them to do it.

The second paragraph on this draft that was there treated how the President reacted when he was informed about the Israeli shipment and of Reverend Weir's release as being one of upset and that he directed someone to have me express his upset to Israel.

Well, he never said that to me, and yet I couldn't—I didn't know whether he might have said it to someone else, but it was a rationalization on my part. In short, I couldn't disapprove what was on the paper, and it was not technically wrong.

So, I took it as a foundation, and I set down myself to prepare what I thought were improvements to that treatment, and others in the chronology, and I spent probably the next 30 to 45 minutes in working on that, punched it up with copies to the Admiral and to Colonel North and his secretary, and left.

Now, all of this relates to your point about when, again, Colonel North and I discussed the diversion that he had reported to me on the air strip in Israel, because it isn't clear to me, but either there, that night, where at the end of the session, Colonel North said, "It looks to me like what we are putting together here will assure that the President isn't hurt by this, and there won't be a problem."

Well, either this or the following day, in the company of the same group of people, Colonel North, Mr. Teicher, upon hearing of Colonel North's statement that we don't have a problem, I said, "You have got a problem with that channeling of money to the Contras."

Now, it was in that setting or when I came the following day to visit Admiral Poindexter, who had asked if I would come and get a final copy of the statement the President would use that night for his press conference, and I did.

Upon arriving, there was a meeting in progress in his office of Dr. Keel, Admiral Poindexter, Howard Teicher, and Ollie, and I was told to go on in. And I went in. Everybody got up and started to leave. And apparently—I have that effect on meetings occasionally—apparently, as kind of a concluding remark to whatever business they had been discussing, Ollie said, "OK, I think that will be fine, and we don't have a problem."

Well, it could have been there, with essentially the same people involved, and I said, "You have a problem with the channeling of money to the Contras." And Ollie kind of winced and he and Mr. Teicher went on out the door of Admiral Poindexter's office, and Ollie came back in and said, "Howard doesn't know about that." And I said, "Well, the long and short of it is that you have got to deal with that," and I was given a copy of the opening statement that night, and I left the office.

Mr. LIMAN. Did you at that meeting or conversation ask him on whose authority he had channeled the money to Contras?

Mr. MCFARLANE. No. I had mentioned it there in the company of Admiral Poindexter and Dr. Keel and Mr. North, so the issue could not have been ambiguous, at least between the Admiral and Colonel North.

Mr. LIMAN. And when you said, "You have a problem,"what did you mean? what kind of problem?

Mr. McFarlane. It just seemed to me that unless someone could stand up and say that this is on the basis of a finding, or is chartered by specific decision by the Admiral or the President, that I could not imagine this kind of thinking being justified in law or at least not that I had heard of, and——

Mr. Liman. Yes, sir, this was the same thing he told you originally in Tehran.

Mr. McFarlane. Or on the tarmac, yes, in Israel.

Mr. Liman. Or on the tarmac in Israel. And now some months later, you are telling him that he has got a problem, and you can't imagine unless there was some kind of finding or other authority that this would be lawful; right?

Mr. McFarlane. Yes.

Mr. Liman. In those circumstances, why didn't you raise it with Poindexter when you returned from your trip to Tehran and Israel?

Mr. McFarlane. Well, there is no good reason for that. I did raise with the Admiral what I thought to be—what would serve Ollie's interest. That was to reassign him to the Marine Corps and avoid the exhaustion that he was experiencing, but bear in mind that I heard—within a matter of days of learning of that news on the tarmac, that there had been earlier shipments of weapons; that there had been no hostages released; that there was a finding extant that legitimized that; that the CIA was managing and participating in all this, and——

Mr. Liman. So you are saying that there was so much that you didn't know that others were doing that you just concluded that you shouldn't raise questions about what people knew and what they didn't know?

Mr. McFarlane. That is the way I felt at the time. It seemed to me, however, in November that after the disclosures had been made that it was worth at least making sure that it really was the way I had taken it to be, a matter of approved policy. I doubted that it was.

Mr. Liman. You say you doubted that it was. Did you ask North was it a matter of approved policy?

Mr. McFarlane. I did in a meeting which occurred later that I suppose we will get to.

Mr. Liman. Why don't you tell us about that meeting?

Mr. McFarlane. I have covered the 18th and 19th, and on the 19th, after leaving Admiral Poindexter's office, I left town to get away from the telephone, frankly, so as to work on some policy initiatives that I discussed with Admiral Poindexter that might enable the President to recapture the initiative in arms control; in the defense budget, the budget deficit, in a broader sense, three or four others.

I went to work on these, and I watched the press conference and saw how it went. But I came back to Washington and went out and made a speech on Thursday, the 20th, in Gaithersburg and believed that I was truly responsible for what had happened and said so.

And then the next day, on the 21st, this is Friday morning, I had a call from Mr. Ledeen. Must have been 11:30 or so in the morning, and he stated that he was putting his own narrative of events together, and he wanted to be sure that he was accurate in his recollection of his own role and would I come to his house to vet and correct, if necessary, what he had described.

I said that I would. I went over there. It was about noon. We don't live far apart. And when I arrived, there was some turmoil. It was family oriented, kids, dogs, baby sitters, a lot of turmoil in the house. Mr. Ledeen came inside finally and came into the library and sat down and said let me go through how I recall what I did. And he did that.

In the course of 20, 25 minutes, and he described what was basically a role, as I recalled it, that is that he was a person not tasked to be an agent of the U.S. Government, but a person whose job was to listen, to attend meetings, to report back what he had heard, and that he was a conveyor of information, not a negotiator or otherwise an operative of the U.S. Government. And that was true.

So I said that is accurate, Mike. I have no disagreement with it.

And at about that time, Colonel North arrived at Mr. Ledeen's house and came in and joined us, and I or Michael said, I believe, that he had been going through his recollection about what his role had been, and Colonel North said that he was going to have to arrange with Mr. Ledeen to see him later that afternoon because something had come up that required him to go back down to his office immediately, and he was sorry, but he would be back in touch, and he asked could he have a ride back down town with me.

And I agreed, and said good bye to Mr. Ledeen and went on out to go across the street to get the car, backed it around, and waited for Colonel North who was talking to Mr. Ledeen for a while to come on out. He did so.

And we drove away, down Connecticut Avenue towards the White House. And I don't remember precisely what was discussed between us.

As I recall, there was a—when Colonel North got in, he was pensive and seemed a little preoccupied by whatever he had discussed with Mr. Ledeen; and said that he was worried that Mr. Ledeen might have profited from this enterprise.

I said, what do you mean. And he said, well, I don't know. I just believe that perhaps Schwimmer and Ledeen have made some arrangements that we are just not aware of and cannot account for, and I am worried about it.

We talked before we reached town about our families, and Colonel North related an account of what one of his children was doing—and he is a man of very deep conviction in his faith and spiritual influence in his life is quite strong. We exchanged some comments that things would turn out satisfactorily, and that the Lord would provide. And he expressed his confidence that that was true.

I guess I am wandering off the point. The matter of when this issue came up again was two days later. This is the 21st.

I dropped him off at his office. I went back to my home where I was working more on these foreign policy initiatives. I had a call from my office saying the Attorney General had called for me; and I returned the call. And he asked, Mr. Meese asked whether I would come to his office because he had been tasked to put together a record of events.

Mr. **Liman**. Did Colonel North tell you in the car that there was going to be a shredding party that weekend?

Mr. **McFarlane**. On that occasion or another that I am closing on here.

Mr. **Liman**. Did he not tell you that before you went to see the Attorney General?

Mr. **McFarlane**. Well, again, I believe it was during that car ride, but I'm not certain that it was, as compared to a meeting that was in my office on Sunday morning.

Mr. **Liman**. What did he tell you about a shredding party?

Mr. **McFarlane**. Just that there had to be done. I think I will encompass that by the time I get through. It is taking perhaps a little too long. But I did go to Mr. Meese's office. I spent about 2 hours with him. His associate, Mr. Cooper, was taking notes.

Mr. Meese asked the questions. They were oriented toward how the Iranian initiative had gotten started and so forth. And finally after that was completed, his secretary came in and told me that I had a call from my wife, it was kind of urgent, and Mr. Meese and Mr. Cooper started to leave the room and I said, "Wait a moment, Ed," and I told him that while I was pleased to take on the full responsibility for this and had the night before, that I wanted him to know that the President had been supportive of this from the very first and was foursquare behind it.

Mr. **Liman**. By this you are talking about the Iranian arms sales?

Mr. **McFarlane**. Yes.

Mr. **Liman**. And the effort to get the hostages?

Mr. **McFarlane**. That is correct.

Mr. **Liman**. You are not talking about the diversion?

Mr. **McFarlane**. No.

Mr. **Liman**. You didn't tell Mr. Meese about the diversion?

Mr. **McFarlane**. No.

Mr. **Liman**. Did you tell Mr. Meese during this meeting, the first part of the meeting, that the November shipment involved oil drilling equipment?

Mr. **McFarlane**. I don't recall. He was asking all the questions. I believe that I told him that it was ambiguous, that there had been reports of Israel believing that oil drilling equipment was perhaps more effective, but that ultimately I learned——

Mr. **Liman**. You told him in that meeting that you knew it was Hawk parts?

Mr. **McFarlane**. Well, his notes will say one way or another. I just don't remember today.

Mr. **Liman**. Well, as you sit here today, were you trying to hold anything back from Meese?

Mr. **McFarlane**. I don't think so. He was asking the questions.

Mr. **Liman**. Why didn't you tell him about the diversion?

Mr. **McFarlane**. As I say, he was asking the questions. Perhaps it was something that I should have told him. We discussed it two days later.

Mr. **Liman**. Why don't you continue. You have now had your meeting with Attorney General Meese.

Mr. **McFarlane**. And he closed by saying that he was glad to learn what I had said about the President's approval of the Iranian initiative, and that from a practical point of view that made the President's position more legally sound for as early as he made the decision to approve these sales, the subsequent actions would be justified.

Mr. LIMAN. Did he tell you the President's approval, if given orally, was the equivalent of a finding?

Mr. MCFARLANE. Well, I interpreted it that way, and it may be my error, but he said in so many words that his predecessor, Attorney General William French Smith, had made a determination several years ago that a President's decision on matters like this, however oral, is just as official an act from the point of view of law, and that's the way I interpreted it.

Mr. LIMAN. Now, after the meeting with Attorney General Meese, what was the next contact with North?

Mr. MCFARLANE. Yes. That was on Friday, and the next meeting I had with him occurred on Sunday morning. He called me at home. My wife and I were getting ready to go to church—it was about 9:15—asked if I could—asked if I could meet with him on Sunday morning later on, and I told him all right, what about noon in my office, and he said fine, he would like to bring his attorney with him, so as to make sure of an accurate record of events that he had to have in mind.

So I went to my office at noon that day downtown and waited for Colonel North, put on some coffee. At about 12:30, I imagine, Ollie arrived alone and came into the office and we began to talk about odds and ends, and he stated that having been associated with the whole thing for a long time, that he thought that the President was in a very solid position and that there really was only one matter that concerned him, and it was the matter of the channeling of funds to the Contras from the Iran account.

And I said, well, that was approved, wasn't it, and he said yes, you know it was, you know I wouldn't do anything without approval.

And I said, well, all you have to do is lay it out, do the right thing. And he said, I believe, something to the effect that it is a matter of record in a memorandum that he had done for Admiral Poindexter, I believe he said February or March—it may not have been February or March—and he said something like, I must see what can be done about that memo, or words to that effect.

And your mention of shredding, I don't know if it occurred on that date or on the way downtown with certainty, but it was one of those, I believe.

Mr. LIMAN. Mr. McFarlane, when he told you that it had been approved, you know I wouldn't do anything that wasn't approved—did you ask him who conveyed that approval?

Mr. MCFARLANE. No, I didn't.

Mr. LIMAN. Now, on Monday you saw the Attorney General?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. And on that occasion you told the Attorney General that you had heard about the diversion on the tarmac?

Mr. MCFARLANE. Yes, I did.

Mr. LIMAN. The Attorney General asked you if you knew anything about it and it was in response to his question that you told him that?

Mr. McFARLANE. Yes, I did.

Mr. LIMAN. Did you tell the Attorney General about what Oliver North told you about a shredding party?

Mr. McFARLANE. No, I didn't.

Mr. LIMAN. Now, let's go back a moment in time, or actually a year in time, to August 1985. I'm trying to wrap this up today.

Am I correct that in August of 1985, Mr. McFarlane, you received some inquiries from Congress about Oliver North's activities with respect to supporting the Contras?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And these are marked as exhibits, in our book 40A is the first in time, and it was a letter of August 16 from Congressman Barnes referring to press reports about——

[The exhibit appears at p. 547.]

Mr. McFARLANE. Yes.

Mr. LIMAN. —Oliver North. And then on—you also received requests on this subject from Chairman Hamilton, correct?

Mr. McFARLANE. That is correct.

Mr. LIMAN. And you also received them from the Chairs of the Senate Intelligence Committee?

Mr. McFARLANE. Yes.

Mr. LIMAN. Now, the thrust of all of the requests was for you to respond to these allegations that North was violating Boland.

Mr. McFARLANE. Yes.

Mr. LIMAN. What did you do when you got these requests?

Mr. McFARLANE. I got them while I was with the President on the West Coast, and I asked Admiral Poindexter to have the records, files of all memoranda, papers, travel vouchers, and so forth that related in any fashion to the requests from the Congressmen, the Senators, put together for me to look at when I got back, and since—when I returned learned that he had tasked Brenda Reger, who was really an expert in handling of NSC files, to research the several compartmented files the NSC has, or memoranda that related to the nature of the requests in any way.

And they were put together and brought to Admiral Poindexter, who gave them to Commander Thompson, who was the staff general counsel, and also the military assistant, who had custody of them and who brought them to me when I returned on about August 26 to the office.

I went through them, read each one and found a number of them that seemed to me to raise legitimate questions about compliance with the law.

Mr. LIMAN. Did Commander Thompson point out any of these documents to you?

Mr. McFARLANE. When he gave the entire collection to me, he said that he had some concerns about several. I don't believe that he pointed out each one. He said that I would see them myself. And I found I think half a dozen that raised that question in my mind.

Mr. LIMAN. And what question did they raise?

Mr. McFARLANE. Well, simply that an objective reading would have taken passages in each of these memoranda to be either reflective of a past act that was not within the law or a recommendation that a future act be carried out that wouldn't be. And, taking these documents aside from the stack, I arranged the next day and the following day to start a series of meetings with Colonel North to get to the bottom of whether or not my own interpretations were correct.

Mr. LIMAN. Now, these documents that you have referred to are the documents that we have reviewed earlier, am I correct?

Mr. McFARLANE. That is correct.

Mr. LIMAN. You met with Colonel North?

Mr. McFARLANE. Yes. And I told him that I had gone through all these documents and felt responsible for whatever had been done, but I simply had to know what had been done, that it was my responsibility for any actions of anybody on the staff, but that specifically there were in a half-dozen cases reporting of what any objective reading, I said, would probably take as being close to or even beyond the law, and I wanted to go through each of those with him and to find out if my reading was the same as his.

And we did. And we went through a couple that you have already raised in the book today of December 4, and in early 1985, as well as four others that involved various kinds of things.

For example, in one that I raised, he was providing a summary of progress of FDN as a military force, and noted they had responded well on how to form a G1, G2, G3, and G4.

I said, well, this looks to me like a Congressman could read that you have been instructing them on how to do that, providing military advice. He said well, that is not the case, the Contras have hired retired officers from the U.S. military to do that, and they are responding well, but it isn't me.

And I accepted that, because that seems to me the kind of thing if I had been a Contra I would have done, and the CIA was certainly able before the cut-off to have told them to do that. But I went through others——

Mr. LIMAN. Were you troubled by the references in these documents to the current donors and exhortations to you to solicit them?

Mr. McFARLANE. Yes. The possibility of Colonel North having made a passing remark of advice to the Contras while in Honduras was of less concern to me than what I took to be the real concern of the Congress, which was fund raising, and we spent most of the time asking about whether these reports in The New York Times or elsewhere of Ollie's involvement in meetings where donations were made include his being party to or solicitous of or coercing or otherwise collecting or being a middleman for fund raising.

He was very careful and insistent to say that in none of these cases had he taken part in any fund raising. He acknowledged that he had made almost 100 speeches in public settings where he had made a very strong case, as the President did, and I did, for support of the Contras, and he acknowledged further that after these often people would come up and say, I want to help, what do I do?

But he was equally emphatic in saying whenever that happened, that he said I am a U.S. Government official, and I couldn't become involved in the collection of brokering of money, and if you want to be helpful to the Contras, go to Miami, there in the phone book they have an office, and do it yourselves.

Mr. **Liman**. Did you ask him to do anything with respect to these documents?

Mr. **McFarlane**. Well, as we went through them, he pointed out where my own interpretation was just not accurate, such as in these earlier efforts about the G1 and so forth, and he just said, you are misreading my intent, and I can make it reflect what I have said if this is ambiguous to you, and I said all right, do that.

Within the matter of a day or two, he returned to my office and he had two single pages, one of them was the same text or close to it, of the first page of a memorandum, the second piece of paper was the last page of a memorandum.

I say that because the format has "from" and "to" on the first page, and the signature page on the last page, so it wasn't an intervening page. He pointed out to me on the single sheet, the first page, what had been altered to reflect with greater clarity what his intention had been, and it didn't seem to me substantial.

The second one represented a shortening, really, of the last page of a memorandum that basically took out what had been, that an effort should be made to solicit from current donors additional funds, and I think the replacement said an effort must be made to persuade the Congress to support the Contras, rather fundamentally different.

Either immediately, or within 24 hours, I put them in my briefcase and took them home, intending to read them when I got a chance. Each night, when I finished with the documents at 9 or 10, I would return them to Commander Thompson, who had custody of them in the safe.

The next two or three days, Congressman Barnes was down, we discussed the issue, I told him that having checked with the White House Counsel, we proposed that he go through them on the spot, but without staff, and he thought about it, said that he believed that unsatisfactory, and went away.

Subsequently, he made no additional requests for the documents. Now, the sum and substance of that probably three or four-week episode of seeking to find what papers in our files and what explanations from Colonel North could respond to Mr. Barnes and others, I did have misgivings, I felt it was likely that an officer of the qualifications and excellence of Colonel North, when he was down visiting in Central America probably did extend advice.

It seemed to me that that was inconsequential to the outcome of the conflict, and probably not in the eyes of the Congress a serious matter.

On the issue of fund raising, having talked with Colonel North and with one or two others that I could identify that had been in settings where he spoke, I couldn't find any evidence that he had done that, and his very clear insistence that he always referred potential donors to the Contra leadership itself was a matter that I could not disprove.

So, I asked him to write responses to these letters, which he did. He brought them to me. I went over them, and signed them, expressing, I have to say, too categorically, that the NSC staff, and specifically Colonel North, had not broken the spirit or letter of the law. And I could find no solid evidence to the Contrary.

Looking back, I think that while in any event, it is my responsibility, not Colonel North's, that suspicions that I had ought to have led me to be more probing and to get more concrete information one way or the other.

Mr. LIMAN. Mr. McFarlane, was it your intent to substitute those pages?

Mr. MCFARLANE. No. And ultimately, long after I was out of government, I destroyed those pages. They weren't—I left government with nothing having been altered.

Mr. LIMAN. What was the purpose of asking North to alter the papers if you weren't going to substitute them?

Mr. MCFARLANE. Well, in fact, he could have been right, that it was simply my misinterpretation.

Mr. LIMAN. In which case, you would correct the old record by substituting?

Mr. MCFARLANE. Well, I don't think you really could. Even so, I did ask counsel about that. I got an answer which I did not put great store in, but I didn't suspect you could really do that unless at the same time you reflected by memorandum for the record, you had made this change to reflect a more accurate intent.

Mr. LIMAN. Mr. McFarlane, the letters you actually sent in the first place, did you give Colonel North the list of the documents that troubled you?

Mr. MCFARLANE. Yes, I think so.

Mr. LIMAN. Would you look at exhibit 40?

[The exhibit appears at p. 545.]

Mr. MCFARLANE. Yes, that is it.

Mr. LIMAN. Are those System 4 numbers?

Mr. MCFARLANE. Yes, they are.

Mr. LIMAN. Are they in your handwriting?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Are those the documents that you have been referring to that troubled you?

Mr. MCFARLANE. I believe they are.

Mr. LIMAN. And those are the documents that you pointed out to Colonel North?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Did you tell Colonel North that if Congress pursued this matter, he would have to defend his language?

Mr. MCFARLANE. I say we both would. I said it was my responsibility, but that I didn't believe that I could in the current circumstance, that I would go ahead and do it, but that I needed an accurate reflection of what was truth.

Mr. LIMAN. Had you ever asked Colonel North before to rewrite documents?

Mr. MCFARLANE. No.

Mr. LIMAN. After they had been sent?

Mr. MCFARLANE. No.

Mr. LIMAN. Now, the letter to Congressman Barnes that you sent is exhibit 40B, and as I understand your testimony, that was drafted by North.

Mr. MCFARLANE. Yes, sir.

[The exhibit appears at p. 548.]

Mr. LIMAN. And it says, "Based on this review, I want to assure you that my actions and those of my staff have been in compliance with both the spirit and the letter of the law."

Mr. MCFARLANE. Yes.

Mr. LIMAN. And when you say that the letters were too categorical, that is one of the statements you are talking about.

Mr. MCFARLANE. Yes.

Mr. LIMAN. And that statement indeed was not compatible with at least one construction of the documents that you listed in exhibit 40.

Mr. MCFARLANE. That is correct.

Mr. LIMAN. And you wrote a similar response to Chairman Hamilton.

Mr. MCFARLANE. Yes.

Mr. LIMAN. And was that also drafted by North?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And did you also send a response to Congressman Barnes telling him that is staff could not look at the documents?

Mr. MCFARLANE. I communicated that to him. I would have said in person, but it may have been in writing.

Mr. LIMAN. If it is in writing, do you know where that was drafted by North?

Mr. MCFARLANE. It would have been, yes.

Mr. LIMAN. Now, let's—and did you get some written questions from Chairman Hamilton? They are exhibit 41B.

[The exhibit appears at p. 559.]

Mr. MCFARLANE. Yes.

Mr. LIMAN. And who prepared the responses to those?

Mr. MCFARLANE. Colonel North.

Mr. LIMAN. And again, are there some of those that you have reviewed that are categorical?

Mr. MCFARLANE. Yes.

Mr. LIMAN. Did you feel at the time that you were caught in the middle?

Mr. MCFARLANE. No. It was my responsibility.

Mr. LIMAN. I understood that you have taken responsibility, but you gave the responses that were less categorical, your chances of getting aid might be jeopardized?

Mr. MCFARLANE. I suppose that is true.

Mr. LIMAN. Let's go back to the chronologies now. We are going a year forward, to 1986.

Mr. MCFARLANE. Yes.

Mr. LIMAN. You were asked to participate in those chronologies by Admiral Poindexter?

Mr. MCFARLANE. Yes.

Mr. LIMAN. What were you told was the purpose of the chronologies?

Mr. MCFARLANE. I believe that it was to serve as the foundation for administration officials who would be making either public or congressional statements or testimony about it to use. Now, before you were asked to participate, did you send Admiral Poindexter a PROF note, which is marked as exhibit 47, and was sent on the 7th of November 1986, and which expressed your concern that Don Regan was blaming you for the whole Iran initiative?

[The exhibit appears at p. 627.]

Mr. McFarlane. It sounds familiar.

Mr. Liman. Now, in that PROF note you said, "It might be useful to review just what the truth is."

Mr. McFarlane. Yes.

Mr. Liman. And you said to Admiral Poindexter, "We then heard nothing until August when the Israelis introduced the requirement for TOWs. I told Kimche no." Was that correct?

Mr. McFarlane. It is correct except for timing. The account there, which was three days after the news broke and before I had any access to my calendar, stretched out in this PROF note from July to August to September. In fact, those events occurred in only 30 days time, but the original people, the introduction of a hundred TOWs, the final approval of the President and then the release of Weir, is sequential as it is reflected here, yes.

Mr. Liman. But this goes on to say, "After you told Kimche, no, they went ahead on their own, but then asked that we replace the TOWs and after checking with the President we agreed."

I take it that the correct fact is that before they shipped TOWs you had checked with the President, and you had told the Israelis they could go forward?

Mr. McFarlane. That is correct.

Chairman Hamilton. Mr. Liman, may I interrupt you? I am advised that you have about 10 minutes more of questioning. I wanted to advise members. We will conclude today's session at the end of Mr. Liman's interrogation and begin tomorrow with Mr. Nields.

Mr. Liman. Now, am I correct that if you look at exhibit 55 that that is the chronology that you were working off of when you gave our insert?

[The exhibit appears at p. 640.]

Mr. McFarlane. I don't think it is. I think the one I was working off was a CIA product that has much of the same information, but I am familiar with this.

Mr. Liman. And you then gave a—your own version of the chronology, am I correct?

Mr. McFarlane. Yes.

Mr. Liman. Have you said at some time or the other that you thought the exercise was to guild the President's motives?

Mr. McFarlane. Yes.

Mr. Liman. What did you mean by that and where did you get that idea from?

Mr. McFarlane. Well, I got it from the remarks of the offices gathered on the evening of November 18 that seemed to me devoted in loyalty to preventing the President from being damaged, just by the tenor of what they had to say and by four or five of the typed pieces of paper on the table there that seemed to be cast in a way as to put the best face on things and to minimize the President's role.

Mr. Liman. Did you then participate in that type of exercise?

Mr. McFarlane. Yes, I did.

Mr. Liman. And it is the way that you participated by, in your chronology, indicating that the President had said no to the Israeli proposal?

Mr. **McFarlane**. Well, I acceded to a reference that had been drafted that he did not approve the September second shipment, although I typed in and sent to Admiral Poindexter at the same time the events as they occurred.

This was the second of what I assumed would be 13 or 14 drafts. And the next day when I went by his office, I pointed out that there are still a number of problems with that chronology, but that is correct; yes.

Mr. **Liman**. The chronology that you sat down and typed out on the professor's machine indicated that you told the Israelis that he, the President, could not authorize any transfer of military material, and then after the Israelis again came back to you, in this chronology, you repeated he, the President, could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplomat. And that is the guilding that you referred to?

Mr. **McFarlane**. Yes. It is in a PROF's note. I am sure it is your book somewhere.

Mr. **Liman**. It is exhibit 56. I apologize for the printing, but it is printed also in the Tower Report, D5, D6, and you have that in front of you. That will be easier on your eyes.

[The exhibit appears at p. 651.]

If you look on page D6, the paragraph is on the right-hand side of the page, Mr. McFarlane.

It is the third paragraph that begins there, it says

> Mr. McFarlane elevated this proposition to the President and at a meeting within days that included the Secretary of State, Defense, the Director of Central Intelligence.
>
> The President stated that while he could understand that assuming the legitimacies of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible material, that at the time, without any first-hand experience in dealing with them, he could not authorize any transfers of military material. This was conveyed to the Israeli.

Then it goes on to describe another contact with the Israeli diplomat, and goes on to the top of the next page, and it says,

> Again the President stated that while he could imagine the day coming when we might choose to support such elements with material, he could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplomat.

Mr. **McFarlane**. Yes.

Mr. **Liman**. Did you have one more conversation with Colonel North about the different version while you were in England?

Mr. **McFarlane**. Yes. I had gone to England Monday night for an event on Tuesday night in London, and before going to that event——

Mr. **Liman**. That was the 24th of November?

Mr. **McFarlane**. Yes. And the event on the 25th was at about 6:30 in the evening. Before leaving, I heard on the BBC that the Attorney General had had a press conference in Washington and had announced the channeling of money to Central America, and the staff changes, and that as part of his briefing, that I had been identified as someone who was witting of that channeling.

So I went on to the event, came back, sat down, and wrote out a statement that I believe was an accurate expression of my knowledge of this matter. It said, basically, that I had learned of it in connection with the trip to Teheran in May, that at the time I was advised I took it to be a matter of approved policy, and that during my own service in government, it had not been raised nor discussed, but that then I called back to the White House and asked for Colonel North to read it to him and to see if it was an accurate statement of fact.

And I got him on the phone and I said, here is what I have heard, and I am sorry. I have a statement that I intend to release if it is accurate. I read it to him. He said, "Yes, that is accurate."

And I asked again, "Ollie, it was approved, wasn't it?" And he said " Yes, but it was approved. You know I wasn't doing anything that wasn't approved."

And I said, "Then don't worry, you did the right thing. Just tell it like it was."

Then I think we had a few words that I tried to be consoling, and he talked about the difference between how the matter was to be treated and his first meeting that day before the Attorney General's conference and the rather brutal fashion in which he learned of his discharge. And I commiserated and offered some encouraging words, and that was all.

Mr. LIMAN. Did you ask Colonel North how they discovered this?

Mr. MCFARLANE. I believe that he said that—I asked what happened, I think, and he said, they must have found the memo, or words to that effect.

Mr. LIMAN. Did he say, "I missed one"?

Mr. MCFARLANE. Something like that.

Mr. LIMAN. That is what you told us?

Mr. MCFARLANE. Yes.

Mr. LIMAN. This is the last question, and I obviously take no like in asking it, but it was raised in virtually every opening statement.

Do you remember, Mr. McFarlane, that you wrote, and this is exhibit 53, you wrote a memo to Admiral Poindexter on November 15, that was before you asked to work on the chronologies; do you recall that?

[The exhibit appears at p. 636.]

Mr. MCFARLANE. Yes.

Mr. LIMAN. And you urged that there be a policy of letting the facts come out?

Mr. MCFARLANE. Yes.

Mr. LIMAN. And you said, "A final comment. I lived through Watergate, John. Well-meaning people whow ere in on the early planning of the communications strategy, didn't intend to lie but ultimately came around to it."

You wrote that?

Mr. MCFARLANE. Yes.

Mr. LIMAN. I guess the question is that here you, with a career devoted to public service, a man prides himself on comments and principles like that, ended up participating in that chronology, and some of the other events we have talked about, and the question is how did it happen? What is the lesson?

Mr. MCFARLANE. I think, Mr. Liman, that that is at the heart of the purpose we share here. You deserve a thorough answer that is utterly missing from any that has been made today.

I feel strongly about it, and I will be glad to do it. Today's testimony, while necessary, has provided no context nor perspective in which any of these events can be comprehensible, and I am astonished, and I will be glad tomorrow, if you have time, to provide some context that I think didn't mitigate but makes more clear just why this did happen.

Mr. LIMAN. Thank you.

I have no further questions, Mr. Chairman.

Chairman HAMILTON. The committee will stand in recess until 10 o'clock tomorrow morning in this room.

[Whereupon, at 5:11 p.m., the hearing adjourned, to reconvene at 10:00 a.m., Tuesday, May 12, 1987.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Robert C. McFarlane

TUESDAY, MAY 12, 1987

House Select Committee To Investigate
Covert Arms Transactions With Iran
and
Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition,
Washington, DC.

The select committees met, pursuant to call, at 10:05 a.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman **Hamilton**. The joint hearings of the two select committees will commence.

First, a couple of housekeeping announcements. I am informed that the House of Representatives today will be voting a number of times during the day, so we will have unfortunately a number of interruptions on the House side.

The Senate will go into session at 2, and I understand that they may very well have a number of votes in the afternoon as well. At the request of the counsel for our witness, we will take two very brief breaks during the day. One will come at 11:15 or so, depending on the testimony, for a brief five minutes, and then in the afternoon session, midway through the session at around 3:30, we will break for 10 or 15 minutes.

And before we turn to the witness, Chairman Inouye has an announcement. Mr. Chairman?

Chairman **Inouye**. Thank you very much. Before we begin our testimony this morning, I would like to make the following announcement:

We have located the $10 million contributed for the Contras by the Sultan of Brunei, which was made in August of 1986, and as all of us are aware, this was the last substantial donation to the Contras unaccounted for until this morning.

Our discovery was achieved in the following manner: Mr. Mark Belnick, the Executive Assistant to the Chief Counsel of the Senate Committee, with the assistance of the State Department, obtained authorization from the Sultan of Brunei for the Senate Committee to act on its behalf in locating the missing $10 million.

Using this authorization, Mr. Belnick and Mr. John Cronin, one of the committee's senior accountants, pursued the investigation in this country and abroad.

Mr. Cronin is presently in Switzerland obtaining the final details. What we know now is that the $10 million was transferred into the account of an individual at Credit Suisse, and that this individual withdrew the funds.

The money was apparently transferred to this individual's account by mistake. We do not yet know whether this mistake was the result of Colonel North giving the wrong account number to Secretary Abrams, or whether it resulted from another error during the transaction. We don't know the identity of the individual, but have been assured that in about three hours we will know.

We do know that the bank has filed criminal charges in Switzerland seeking the return of the money. As soon as Mr. Cronin returns from Switzerland, we intend to present the full story through him and Mr. Belnick at these hearings.

We do wish to again acknowledge the contributions of the State Department and in particular the Office of the Legal Adviser, whose able assistance and cooperation have been indispensable.

I suppose the question before us is, does the Senate Select Committee get a finder's fee?

Chairman HAMILTON. Thank you.

Mr. McFarlane, I would like to remind you that you are still under oath.

Mr. Nields?

Mr. NIELDS. Good morning.

Mr. MCFARLANE. Good morning.

Mr. NIELDS. Mr. McFarlane, I think it is fair to say that for a considerable period of time, Congress or its committees were trying to find out the answer to the question, where was the Contras' funding coming from following the effective date of the Boland amendment?

And I take it from your answers yesterday that at least for the period 1984, 1985, the answer to that question is Country Two.

Mr. MCFARLANE. That is correct.

Mr. NIELDS. And you knew that, I take it, because you testified to it yesterday.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And you had indeed had a hand in two sets of contributions; one resulting from a meeting that you had in May of 1984 with a representative of Country Two, in which you told him of the Contras' needs, and the administration's interest, and he responded with a contribution of $1 million a month.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And then again, after the Boland amendment had been passed, you had a meeting in early 1985 with the same person in which you essentially told him the same thing, and later on learned that his country had responded with double the contribution of the previous year?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Now, Mr. McFarlane, I take it you appeared before a number of Congressional committees towards the end of last year, one of which was the House Foreign Affairs Committee.

Mr. McFarlane. That is correct.

Mr. Nields. And that was, I believe, on December the 8th, 1986.

Mr. McFarlane. Yes.

Mr. Nields. I have put excerpts of that testimony by you before the House Foreign Affairs Committee in the exhibit book at exhibit 63. The full testimony is in front of you in the book that you are now opening.

[The exhibit appears at p. 686.]

If you wish to refer to the full testimony, you may, but for the purpose of my questions, exhibit 63 will do.

Mr. Garment. Give me a moment, Mr. Nields, I don't seem to have the exhibit here.

Mr. Nields. What is your last exhibit?

Mr. Garment. 62.

Mr. Nields. I would like you to turn to the third page of exhibit 63.

Mr. McFarlane. Yes.

Mr. Nields. I think that Ms. Rayner has just brought you the correct exhibit book. I will ask you whether you were asked the following question, and gave the following answer. At the bottom of page 65, Mr. McFarlane, I would like to try and understand, as we close, what role if any the National Security Council had in the solicitation of funds for the Contras.

Earlier this morning, Secretary Shultz indicated that there had been success in soliciting and persuading at least one country to provide funding and presumably it was intended for humanitarian purposes and presumably, he was speaking about Brunei.

Did you or anyone working with you or for you at the National Security Council at any time make efforts at solicitation of other countries for contributions to the Contras?

Mr. McFarlane, this is your response, is it not? "I did not solicit any country at any time to make contributions to the Contras. I have seen the reports that various countries have—" then there is a word deleted, and that is Country Two, isn't it?

Mr. McFarlane. I don't know.

Mr. Nields. Well, you can turn to the un-redacted version which is again the notebook in front of you, December 8th. It should be the second transcript in that book.

Mr. Garment. Mr. Nields, what was that reference?

Mr. Nields. I will represent to you—you may check it if you wish— that the word deleted there is Country Two, so I will read your answer.

> I did not solicit any country at any time to make contributions to the Contras. I have seen the reports that various countries have, Country Two, third countries, and I have no idea of the extent of that or anything else.

Did you make that answer?

Mr. McFarlane. Yes.

Mr. Nields. Now, in fact, you did have a pretty good idea of Country Two's funding of the Contras; didn't you?

Mr. McFarlane. Yes.

Mr. Nields. In fact, as you have testified yesterday and today, you had a hand in obtaining contributions totalling approximately $32 million from Country Two?

Mr. McFarlane. Yes.

Mr. Nields. But you did not tell that to the Foreign Affairs Committee at that time?

Mr. McFarlane. No. I was trying to use some tortured language, inappropriately, I think, but to comment that I did not know the extent. To be technically accurate, I did not and do not today. But I take your point, Mr. Nields, it wasn't a full account.

Mr. Nields. I would like you to turn then to the first page in exhibit 63. I ask you if you were asked the following question and gave the following answer. At the bottom of the first page, which is marked 57 in the upper-right-hand corner—"there have been also press reports that—"—and I will represent that the word deleted is representatives of Country Two—"—have been indirectly involved in financing the Contras. Are you aware of any such activities?"

And your answer was, "I have seen the reports and I have heard that people from Country Two have contributed. The concrete character of that is beyond my ken."

Now, in fact, the concrete character of it was in your ken, was it not?

Mr. McFarlane. Well, it really wasn't precisely. In fact, it is in the context of this investigation that I have learned that the $1 million that was volunteered in the summer of 1984 actually went beyond the end of 1984 into 1985. I didn't know that until I learned it in these hearings and after this testimony was given.

The estimate that the second contribution would be on the order of twice the monthly rate of the year before turns out to have been not donated in a monthly rate at all but in a very few number of lump sum payments, and the total slightly more than that, but I take it your point as a matter of principle that this is not as full an account as I could have given.

Mr. Nields. Well, in effect, you told the committee that other than what you had read in the newspapers you didn't know anything about that?

Mr. McFarlane. I told the committee what is on the paper here and the difference between a concrete knowledge of such matters as I have just explained to you and what I know today is for the reasons I have given you.

Mr. Nields. Just so the record is clear, you did know at that time that you had a conversation with a representative of Country Two in May and that Country Two had thereafter contributed a million dollars a month for some period of time?

Mr. McFarlane. Yes.

Mr. Nields. And you knew that you had another conversation with a representative of Country Two in February or so of 1985, and that the contribution for that year had been doubled?

Mr. McFarlane. Yes. I believe, however, that it isn't really clear in my mind that I had a meeting at all that preceded the second donation. I am willing to accept that because I am told that I should be as supplicatory as I can. I doubt that it happened.

Mr. Nields. But you did testify to it yesterday?

Mr. McFarlane. Because I could conceive that I might have been party to it, but I doubt it.

Mr. Nields. Mr. McFarlane, I would like to turn to a different subject and we will return eventually to the Contras later, but for now, I want to ask you some questions about Iran. I take it we are all aware that in January of 1986 there was a Presidential finding authorizing the sale of arms to Iran. I take it from your testimony yesterday that there were two transactions in 1985 that preceded the finding and were not covered by it, is that correct?

Mr. McFarlane. Yes.

Mr.. Nields. And one of them involved a shipment of TOWs in August and September of 1985?

Mr. McFarlane. Yes.

Mr. Nields. And one of them involved a shipment of Hawk missiles in November of 1985?

Mr. McFarlane. Yes.

Mr. Nields. Those 1985 shipments were by Israel?

Mr. McFarlane. Yes.

Mr. Nields. And I take it from your testimony yesterday that Secretary Weinberger had indicated that there was a legal problem with the United States approving those shipments?

Mr. McFarlane. He had concerns about the legal nature of it, yes.

Mr. Nields. And his concerns were that it would be illegal for the United States to approve shipments to Iran by Israel of U.S. weapons?

Mr. McFarlane. Well, he said that he believed that there might be a legal problem, and I believe that he made a reference to the Arms Export Control Act, and as I recall, Mr. Casey said that the authority of the President to proceed under a separate finding ought to be explored, but it was inconclusive.

Mr. Nields. And there never was such a finding in 1985?

Mr. McFarlane. There was never a written finding in 1985, no.

Mr. Nields. I think in response to some questions from Mr. Liman yesterday you were not sure whether the subject of deniability was discussed in 1985?

Mr. McFarlane. Yes.

Mr. Nields. But that you were sure that it was discussed, that it was the Israelis that were that were doing these sales?

Mr. McFarlane. Yes.

Mr. Nields. And then again in response to some questions by Mr. Liman at the end of the day yesterday, you indicated that in November of 1986 when you were working on the chronologies, that was essentially the story that you put out—namely, that it was the Israelis that did it in 1985?

Mr. McFarlane. Yes.

Mr. Nields. Without our approval?

Mr. McFarlane. Perhaps I missed the point.

Mr. Nields. The point is that in '86 when you were working on the chronologies, the story that you put out through the gilding chronology, as I think you put it yesterday, was that the Israelis did it without our approval.

Mr. McFarlane. I don't think I put that out. I have seen that portrayal of it in drafts of the chronology, yes.

Mr. Nields. Perhaps you could turn to exhibit 56. Do you have that in front of you?

[The exhibit appears at p. 651.]

Mr. McFarlane. Yes.

Mr. NIELDS. Is that a PROF message?

Mr. MCFARLANE. Yes, it is.

Mr. NIELDS. And was that done by you?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And was that done while you were reviewing an earlier draft of the chronology.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And is it the case that the earlier draft of the chronology stated that the September transfer of TOWs had been approved at the highest level of our government?

Mr. MCFARLANE. I don't know.

Mr. NIELDS. Well then, let's turn to exhibit 55. Do you have that in front of you?

[The exhibit appears at p. 640.]

Mr. MCFARLANE. Yes.

Mr. NIELDS. And is that a draft chronology with the date 11/17/86?

Mr. MCFARLANE. Yes, but this is not the chronology from which I was working.

Mr. NIELDS. Well, does it say 11/17/86?

Mr. MCFARLANE. Yes, but that has nothing to do with what I was working from.

Mr. NIELDS. And does it say 2000 in the upper right hand corner?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Moving back to the exhibit 56, I ask you to look at the first page of the exhibit.

[The exhibit appears at p. 651.]

Mr. MCFARLANE. Yes.

Mr. NIELDS. Does it say at the beginning of the second paragraph, "it seems to me I ought to limit my input to what I recall from my involvement before January '86 and from the May meeting."? In that context the "I had recommended eliminating all the materials starting at the 11/17/2000 version at page 3.". Does it say that?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Is that a reference to the chronology which is exhibit 55 that says 11/17/2000 in the upper right hand corner?

Mr. MCFARLANE. It appears so. I said that in working through the chronology on the evening of the 15th that there was a CIA master, it was called, from which I was making my own additions and subtractions.

Mr. NIELDS. I understand, but I take it in this PROF that you are writing, which is exhibit 56, you make reference to the chronology which is exhibit 55?

Mr. MCFARLANE. I take your point, Mr. Nields. My point is that it was just as possible that version applied as well to the CIA copy that I was working with. I don't know that, but I am——

Mr. NIELDS. Well, let's pursue that. Again, looking at exhibit 56, which is your PROF, I take it——

Mr. MCFARLANE. Yes.

Mr. NIELDS. Right after you make reference to the 11/17/2000 version at page 3, penultimate paragraph, and then you write i.e. in 1985, a private... . Would you turn to page 3 of exhibit 55? Does the penultimate paragraph on that page begin, "In 1985, a private——

Mr. McFarlane. Yes.

Mr. Nields. Does that help you understand whether this is the document that you were working from when you wrote your PROF?

Mr. McFarlane. It was very likely the one. Probably.

Mr. Nields. You think it is probably the one?

Mr. McFarlane. Probably.

Mr. Nields. OK. Well, I will ask you then to turn to page 4 of exhibit 55, which is the chronology from which you believe you were working when you wrote your PROF message. Do you have page 4 of exhibit 55?

Mr. McFarlane. Yes.

Mr. Nields. There is a paragraph about half-way down the page that begins as follows: "On August 22, 1985, the United States, through the U.S. citizen intermediary, acquiesced in an Israeli delivery of military supplies, 508 TOWs, to Tehran."

You see that?

Mr. McFarlane. Yes.

Mr. Nields. And then at the end of that paragraph it says, "U.S. acquiescence in this Israeli operation was based on a decision at the highest level."

Do you see that?

Mr. McFarlane. Yes.

Mr. Nields. That was the description of the U.S. approval that was contained in the November 17, 1986 version of the chronology.

Mr. McFarlane. Yes.

Mr. Nields. You then, reviewing that chronology, suggested in your PROF message that it be changed; isn't that true?

Mr. McFarlane. Yes.

Mr. Nields. And you, indeed, drafted the changes, and they are in exhibit 56?

Mr. McFarlane. Yes.

Mr. Nields. And turning to the bottom of page 2 of your draft, I will read to you from the second to the last paragraph:

> Mr. McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that while he could understand that, assuming the legitimacy of the interlocutors, that they would be quite vulnerable and ultimately might deserve our support to include tangible material, that at the time without any first-hand experience in dealing with them he could not authorize any transfers of any military material. This was conveyed to the Israelis.

Then you refer to a conversation with the Israelis in which they make a proposal, and at the end of the next paragraph you write, again,

> The President stated that while he could imagine the day coming when we might choose to support such elements with material, he could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplomat.

That is the way in which you suggested the chronology be changed; isn't that true?

Mr. McFarlane. I am trying to track the text here for a minute. The sum and substance of the PROF note as written there, which was expressing recollections at the time without any access to my own records—and I still haven't had that—was intended to contain in the discourse between me and Mr. Kimche the reality that in saying that they could expect to purchase weapons from the United States, as they had for generations and would continue to be able to, that that would continue and they need not have any concerns about being able to purchase replacements from us.

In elevating it to the President—and what is missing from this text right here—the President declared that he couldn't authorize any U.S. transfers of weapons at that time.

Mr. NIELDS. Now, my question for the moment, Mr. McFarlane, isn't what actually happened. My question is what you wrote in your PROF as a suggested revision of the chronology.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And am I correct that the chronology stated affirmatively that the United States had acquiesced in the Israeli transfer and that that acquiescence was approved at the highest level?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And my question, then, is you suggested that new language be substituted and you drafted it.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And you put it on the PROF, which is exhibit 56.

Mr. MCFARLANE. Yes

Mr. NIELDS. And there is no reference to U.S. acquiescence in the Israeli transfer anymore, is there?

Mr. MCFARLANE. I thought I was—that I was what I have just tried to convey here, that when Mr. Kimche and I talked about this and made clear on my side that Israel could expect to be able to buy weapons into the future without restrictions, that they could expect that their concerns about being able to replace them were taken care of.

Now, in the later reference to the President considering it and concluding that he was not able to authorize U.S. transfers of weapons, that doesn't foreclose Israel being able to purchase them themselves.

Mr. NIELDS. Any reference to U.S. acquiescence has been deleted from your version; isn't that true?

Mr. MCFARLANE. Yes, that is right, and my point is not to defend the literal meaning of a close reading of this PROF's note.

Mr. NIELDS. Substituted in its place are two declarations that the President did not approve any transfer of materiel at that time.

Mr. MCFARLANE. Well, I guess we disagree on the interpretation of the entire paragraph in context, but I am not trying to deny that it is not an accurate portrayal of the President's approval of these shipments which, indeed, occurred.

Mr. NIELDS. You are saying it is not an accurate portrayal.

Mr. MCFARLANE. It is not a complete portrayal.

Mr. NIELDS. And in substance what you are doing here is saying the Israelis did it and not disclosing that we approved.

Is that a fair statement?

Mr. MCFARLANE. I am trying to take responsibility that I, indeed, made clear without any equivocation to Mr. Kimche that if they did it they could expect to have their arms replaced, which is the case.

Mr. NIELDS. I understand, but I am not asking you now about what actually happened. I am asking you about how you portrayed it in your PROF message.

My question is, isn't it true that in your PROF message, which was a proposed revision of the chronology, that you, in effect, were saying the Israelis did it and concealing the fact that the U.S. Government had approved?

Mr. MCFARLANE. I think I agree with you. Again, what I am basing this PROFs note on is, first of all, not the exhibit 55 which you have referred to here; I am basing it upon a separate input that had already been prepared to go in place of that there in Colonel North's office that evening.

Now, that replacement item had an even more absolute statement of non-approval by the President of the September 2 shipment, and it seemed to me just not to be even as full as this one is, and so working from that and not from exhibit 55, I prepared this PROFs note.

Mr. NIELDS. Mr. McFarlane, I am actually leading up to something else, and that is, I take it that with respect to the November shipment of Hawks, you couldn't solve the problem simply by saying that the U.S. Government didn't approve; it was impossible to say that with respect to the November shipment of Hawks, isn't that the case?

Mr. MCFARLANE. I am missing a point. I agree the United States did approve.

Mr. NIELDS. And not only did they approve, but unlike the TOW transaction, the U.S. Government actually assisted in the transportation.

Mr. MCFARLANE. That is correct.

Mr. NIELDS. And not only did the U.S. Government supply or obtain the planes to carry the Hawks but you personally intervened with a third country in order to obtain transit rights?

Mr. MCFARLANE. Yes.

Mr. NIELDS. So it was impossible with respect to the November Hawks shipment to take the position that the U.S. Government hadn't approved of the shipment. We actually delivered the Hawks.

Mr. MCFARLANE. Yes.

Mr. NIELDS. OK. I would like, then, to take a look at how the story of the Hawks developed through the various drafts of the chronology. I would like you to turn again to exhibit 55, which is the 11/17/1986 draft of the chronology.

Do you have that in front of you?

Mr. MCFARLANE. Yes.

Mr. NIELDS. I will ask you to turn to page 5.

At the top of page 5, the chronology states:

> In late November, 1985, the Israelis, responding to urgent entreaties from the Iranians, provided 18 basic Hawk missiles to Iran in order to improve the static defenses around Tehran. The Israeli delivery of Hawk missiles raised United States concerns that we could well be creating misunderstandings in Tehran and thereby jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. These missiles were subsequently returned to Israel in February, 1986, with U.S. assistance.

Now, that statement in the chronology is substantially true, is it not?

Mr. McFarlane. I think so.

Mr. Nields. Then I would like to turn to your revision, which is exhibit 56. Would you turn to that, please? Before I go to that, I take it exhibit—the chronology that we have just looked at—is not only true but makes express reference to the fact that Hawk missiles are being shipped.

Mr. McFarlane. Yes.

Mr. Nields. I will ask you to turn to the third page of your rewrite. Do you have that in front of you?

Mr. McFarlane. Yes.

Mr. Nields. It addresses the subject of the November shipment in only one place. Isn't that the case?

Mr. McFarlane. Yes.

Mr. Nields. And that is in the middle of the page where it says, at the end of paragraph, insert the following, and now I am going to quote what you propose to insert. "We subsequently learned that in late August, the Israelis had transferred 508 TOW missiles to Iran. Later in the fall, other transfers of equipment were made between Israel and Iran, although some of the items were returned to Israel."

That is all you say about the Hawk missiles, isn't it?

Mr. McFarlane. Yes.

Mr. Nields. And you refer to them as equipment.

Mr. McFarlane. Yes.

Mr. Nields. I would like you to turn to exhibit 57—excuse me, 58—which has the words 11/20/86, 2000 at the top. Do you see that?

Mr. McFarlane. Yes.

Mr. Nields. I would like you to look at page 6 of that exhibit.

Mr. McFarlane. Yes.

Mr. Nields. And there it describes the November transaction in the following words:

> In mid November, the Israelis, through a senior officer in the foreign minister's office (Kimche) indicated that the Government of Israel was convinced that they were nearing a breakthrough with Iran on a high-level dialogue. The Israeli contacted a U.S. official (North) and asked for the name of a European-based airline which could discretely transit to Iran for the purpose of delivering passengers and cargo. He specifically noted that neither a U.S. carrier nor an Israeli-affiliated carrier could be used. We were assured, at the time, that the Israelis were beginning to "try oil-drilling parts as an incentive," since we had expressed so much displeasure over the earlier TOW shipment. The name of the proprietary"

—and it is blanked out—

> was passed to the Israeli, who subsequently had the aircraft chartered through normal commercial Contract for a flight from Tel Aviv to Tabriz, Iran, on November 25, 1985. The Israelis were unwitting of the CIA's involvement,

and so on.

Then the next paragraph begins as follows:

> In January, we learned that the Israelis, responding to urgent entreaties from the Iranians, had used the proprietary aircraft to transport 18 Hawk missiles to Iran.

Now, that statement in this chronology is untrue, is it not?

Mr. McFarlane. I think it is, yes.

Mr. Nields. Because the fact of the matter is that we knew in November of 1985 that it was Hawk missiles that were being transported by the CIA proprietary.

Mr. **McFarlane**. Yes.

Mr. **Nields**. Now, you were a——

Mr. **Garment**. I hope it is clear that the chronology we are referring to is the draft chronology. It was not the chronology that was prepared by Mr. McFarlane.

Mr. **Nields**. I was just about to ask him.

Mr. **Nields**. You were aware, were you not, of this change in story concerning the November Hawks shipment?

Mr. **McFarlane**. No.

Mr. **Nields**. Well, Mr. McFarlane, this is dated the 20th.

Mr. **McFarlane**. Yes.

Mr. **Nields**. On the 21st, you were interviewed by the Attorney General of the United States?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And you told the Attorney General of the United States, did you not, that in November of 1985 it was oil drilling equipment that was being sent to Iran?

Mr. **McFarlane**. Well, I believe that I told him that there were reports of oil drilling equipment being considered and being of value in Teheran and that I couldn't be certain then whether I had learned that in an intelligence report or from Colonel North. But that I had, I agreed, learned of it one way or another that there were in fact Hawks while in Geneva, and that the Secretary of State and the President were advised and made known of it, and you have seen here—in fact you drew our attention to my contribution to this part of the chronology—which was a very cursory line that equipment was transferred.

I think if you will go ahead and exhibit what is a note that even follows this to Admiral Poindexter from me, in which I report to him that I have contributed to this chronology some of it coming to me for the first time. I have no recollection about a November shipment which is still a little fuzzy in my mind. I think you have that in your book someplace here.

My point is this, that in November when these chronologies were being made, my own recollection of the November shipment at all of weapons or of oil parts or whatever, was very, very dim, and I said as much both to Admiral Poindexter and what I contributed on the night of the 18th was just a cursory reference to equipment. But this portion of this document that you are referring to here is not my contribution to that version on the 20th of November.

Mr. **Nields**. Let's take it one step at a time. The first version of the chronology describes a shipment of Hawks in November. Your proposed revision makes no reference to Hawks but refers to equipment.

The later version says that we were told it was oil drilling equipment and we didn't find out that it was Hawk missiles until January 1986.

Then you go down to the Attorney General's Office on Friday, November 21—is that correct?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And you were interviewed by him?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And I think you said earlier that the notes of that interview would reflect what you had said?

Mr. McFarlane. Yes.

Mr. Nields. Before we get to the notes of that interview, you had had, I take it, during the course of the week of November 17th, a number of conversations with Mr. North?

Mr. Garment. Mr. Nields, I think it would help the general audience if you would add to the respective date the year, because we are moving back and forth.

Mr. Nields. Good point.

I am now in 1986. You had a number of conversations in the week of November 17, 1986 with Colonel North, did you not?

Mr. McFarlane. I expect so, yes.

Mr. Nields. And you were down in his office?

Mr. McFarlane. Yes.

Mr. Nields. Reviewing the chronology?

Mr. McFarlane. Yes. On November 18th.

Mr. Nields. And then I think you said you came down on another day and reviewed it a second time.

Mr. McFarlane. I believe to Admiral Poindexter's office the next day.

Mr. Nields. And you had conversations with Admiral Poindexter?

Mr. McFarlane. Yes.

Mr. Nields. Colonel North knew that Hawk missiles had been transported to Iran in November of 1985?

Mr. McFarlane. Yes.

Mr. Nields. And Admiral Poindexter also knew that Hawk missiles had been transported to Iran in November of 1985?

Mr. McFarlane. Yes.

Mr. Nields. And you were working on a chronology that was supposed to set forth the collective understanding and knowledge of the people who had participated in November of 1985?

Mr. McFarlane. That is right.

Mr. Nields. And you went down to the Attorney General's office on Friday at the end of the process of getting all these stories together and I would ask you to turn to exhibit 67. These are the notes of your interview with the Attorney General. I think you indicated that Mr. Cooper was present, and I think you indicated he was taking notes. These are his notes. I will ask you to refer to the bottom of the third page

[The exhibit appears at p. 743.]

Mr. McFarlane. Yes.

Mr. Nields. It says November Hawks. I take it that was you?

Mr. McFarlane. I imagine, yes.

Mr. Nields. This says he first I learned of it when briefed for a trip to Iran in May.

Mr. McFarlane. Yes.

Mr. Nields. Now, in fact you learned of it in November, didn't you?

Mr. McFarlane. Yes, but I assume that you are implying that according to conversations with North or Poindexter in that same week I had learned of the Hawk transfer. Is that the point?

Mr. Nields. Right now I am asking you what you told the Attorney General. You told the Attorney General that you first learned of the Hawks in May. Then on the top of the next page of the notes, it says November 16 and 17, at summit in Geneva, learned that Israel had shipped oil equipment. So you told the Attorney General on Friday November 21 that you were told in November that it was oil equipment and didn't find out it was Hawk missiles until May. Is that correct?

Mr. McFarlane. Yes.

Mr. Nields. And that is exactly the story that was written in the last version of the chronology that we just looked at. Isn't that true?

Mr. McFarlane. Where is that?

Mr. Nields. That is exhibit 58, at page 6.

[The exhibit appears at p. 660.]

Mr. McFarlane. My copy of that says that, starts out in January we learned that the Israeli responding to urgent entreaties from the Iranians, had used the proprietary aircraft to transport 18 Hawk missiles. Is that the reference you have?

Mr. Nields. Yes, and up above—we read this into the record already and I don't want to burden the record—referring in the paragraph above, referring to the November 1985 shipment, it says "We were assured, at the time, that the Israelis were going to 'try oil drilling parts as an incentive' ", then the next paragraph says, "in January we learned that the Israelis had used the proprietary aircraft to transport 18 Hawk missiles."

Mr. McFarlane. Yes.

Mr. Nields. What I am asking you is, isn't it true that what you told the Attorney General the next day, namely, that in November you were told it was oil drilling equipment and didn't find out it was missiles until May, conforms to the version of the facts which is in this November 20 version of the chronology.

Mr. McFarlane. Well, what is missing from this, Mr. Nields, is that I stated in November on the 18th, and subsequently, and it is in written notes from me to Admiral Poindexter—this is 1986 now—that I had no clear recollection of the November Hawk shipment at all, which is true.

When I went to the Attorney General, I was still in that same basic condition but in our discourse there in the Attorney General's Office he and I talked about that. I mentioned that I had heard of some peripheral mention of oil parts perhaps being tried, that I wasn't sure that they were in fact shipped then, that I had no clear recollection of it.

But then finally when he mentioned to me George Shultz has contemporaneous notes that he says you talked to him about the Hawks, and I said, I can understand that, and I will accept it. I have no clear recollection of it.

But there wasn't any effort to deny. It was simply to say that I didn't recall what had happened. I could accept that the Secretary of State jotted that down, that he would right, and that is fine.

I don't deny that, nor did I contribute to this November 20 chronology.

Mr. Nields. Mr. McFarlane, we will return in a moment back to November 1985, and exactly what you knew and what your participation was then. I just want the facts to be clear. I think you have testified that Mr. North participated in preparing this chronology.

Mr. McFarlane. Yes.

Mr. NIELDS. And the last version of the chronology says that the United States was told that it was oil drilling equipment.

Mr. McFARLANE. Yes.

Mr. NIELDS. And Mr. North knew that it, in fact, had been Hawk missiles?

Mr. McFARLANE. I assume so.

Mr. NIELDS. And he knew that in 1985, did he not?

Mr. McFARLANE. Yes.

Mr. NIELDS. In November?

Mr. McFARLANE. Yes.

Mr. NIELDS. Mr. Poindexter participated in this chronology.

Mr. McFARLANE. Yes.

Mr. NIELDS. And he knew in November 1985 that it was Hawk missiles?

Mr. McFARLANE. Yes.

Mr. NIELDS. You had participated in this chronology?

Mr. McFARLANE. Yes.

Mr. NIELDS. And you knew in November 1985 that it was Hawk missiles?

Mr. McFARLANE. Yes, I did.

Mr. NIELDS. And all three of you put out a story that it was oil drilling equipment and that that is what you had been told in 1985?

Mr. McFARLANE. I disagree with that. First of all, your tracking of these versions of the chronology from the 18 to 20th assumes that in the 18th version which does not mention any oil parts, to the 20th, that that changed by contribution, and it isn't. Beyond that, the fact that in 1985 I had been informed about these 18 Hawks being shipped, which is quite true, and is a matter of record in my notes with the Secretary of State, in 1986 I didn't recall that and that is what I said.

But in the same conversation with the Attorney General, when reminded that there had been indeed Hawk shipments made, I said, fine, I accept that. I didn't recall it, and I wrote down that I didn't recall it in my note back to Admiral Poindexter.

Mr. NIELDS. So you are saying that after a week of working on these chronologies, which moved from a version in which it was clearly stated that Hawk missiles had been transported in November 1985, to a version which you then passed on to the Attorney General that we were told it was oil drilling equipment, throughout that week you never remembered that you had known in November 1985 that Hawk missiles were shipped.

Mr. McFARLANE. I think I see what the problem is, Mr. Nields. First of all, I didn't work on these chronologies all the time. On the 18th I was asked to come over but on the night of the 18th, I spent most of my time on the opening statement.

I think that is obvious from the length of the cable I finally ended up writing. It was on the opening statement.

I did, however, then turn my attention to the chronology that was being worked on. I didn't go all the way through it. I didn't read it all.

I did go down and in several places made some changes to it and pointed out errors and others that I was assured would be taken care of.

But I didn't get into all of them. I did, and I have testified, focused on the President's involvement in the original decision.

Mr. NIELDS. I would like to turn for the moment back in time to November of 1985, when this Hawks missile transaction was actually happening. I think you testified yesterday to the September transaction involving TOWs?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And I think you testified about a time when you were asked to select which hostage should be released in exchange for those TOWs?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And thereafter, I take it there were continuing efforts to obtain release of the remaining hostages?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Now, the person whom you were dealing with in Israel was—at that time—Mr. Kimche?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And I take it you were in periodic contact with Mr. Kimche during the months of September and October?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And there came a time, did there not, on November the 8th, when Mr. Kimche came and had a meeting with you?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And that is reflected in your calendars, is it not?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Excerpts of which you have made available to the committees?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And Mr. Kimche told you at that point in time, did he not, that another transaction involving arms was being contemplated?

Mr. MCFARLANE. I don't know that I could tell you everything that was in that conversation. I accept what you say.

Mr. NIELDS. Well, I will just state that in the Tower Commission report, it states that Mr. McMahon, who was the Deputy Director of Central Intelligence, learned from you on the 14th of November that Mr. Kimche had visited and proposed another transfer of weapons to Iran. That is consistent with your recollection, isn't it?

Mr. MCFARLANE. It is entirely possible.

Mr. NIELDS. Then, on November 15th, Mr. Rabin met with you in your office.

Mr. MCFARLANE. Yes.

Mr. NIELDS. You had not dealt with Mr. Rabin previously, had you, on these arms and hostage issues?

Mr. MCFARLANE. No.

Mr. NIELDS. But this time, Mr. Rabin talked to you about the upcoming transaction?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Mr. Rabin was the Minister of Defense of Israel, wasn't he?

Mr. MCFARLANE. That is correct.

Mr. NIELDS. And he was interested about replenishment of Israeli weapons that were going to be sold to Iran, isn't that true?

Mr. MCFARLANE. Yes.

Mr. **Nields**. And he wasn't concerned about replenishment of oil drilling equipment?

Mr. **McFarlane**. I don't think so.

Mr. **Nields**. He was Minister of Defense and he was concerned about replenishment of Israeli weapons.

Mr. **McFarlane**. Yes.

Mr. **Nields**. And in your meeting with Mr. Rabin, it was late in the afternoon on a Friday, wasn't it?

Mr. **McFarlane**. That sounds right, yes.

Mr. **Nields**. And later that afternoon, you contacted Colonel North and had a meeting with him?

Mr. **McFarlane**. I accept that if it is on the schedule.

Mr. **Nields**. We might as well look at the schedule and be certain, and that is exhibit 64. Do you have it in front of you, and have you found the date 11-15-85?

[The exhibit appears at p. 690.]

Mr. **McFarlane**. Yes.

Mr. **Nields**. That is at the bottom of the page. It shows a meeting with Minister of Defense Yitzak Rabin, which ends at 5:02 in the afternoon?

Mr. **McFarlane**. Yes.

Mr. **Nields**. By the way, Mr. Rabin told you what kind of weapons he needed replenished, didn't he?

Mr. **McFarlane**. I don't really recall what Mr. Rabin had to say. I think you are right that his foremost concern was that if they made transfers of any description, would they be able to get them replaced, and that is true.

Mr. **Nields**. At 7:00 that same evening, you had a meeting with Admiral Poindexter or some time after 7, and that is reflected on your calendar on the next page?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Then you have a meeting with Oliver North at 8:38?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And then it shows the following morning at 7:59 a.m., you have a meeting with Defense Secretary Weinberger?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And that was immediately prior to your departure for Geneva?

Mr. **McFarlane**. That is correct.

Mr. **Nields**. In fact, it was 10 minutes before you departed for Geneva?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Now, did you not discuss with Secretary Weinberger at that time the question of replenishment of Israeli Hawks?

Mr. **McFarlane**. Well, I don't know is the short answer. I really doubt it. I believe that Secretary Weinberger's concerns, which were understandable, concerned the positions that the President would take in his talks with Mr. Gorbachev concerning arms control and that that is what we talked about.

Mr. **Nields**. Well, the committee has——

Mr. **McFarlane**. Also I think, and this is frankly just a kneejerk reaction, that—wasn't there a story in the newspaper that morning that there was a leak that had come from the Defense Department—I have forgotten what it was—but I recall that Cap's point was to say that Defense did not leak the document.

And then later, on the way over, some unnamed official characterized it as sabotage of the summit. In fact, I am sure that was what it was about and not about Hawks.

Mr. **Nields**. Mr. McFarlane, the committee has information that as early as the next Tuesday, which would be one business day later, Mr. Weinberger's assistant, General Powell, was tasking people under him——

Mr. **Garment**. I am sorry, I didn't follow that. You say one business day later?

Mr. **Nields**. This is a Saturday meeting with Mr. Weinberger. The next Tuesday, the committee has information that Mr. Weinberger's assistant, General Powell, was tasking people under him to find 120 Hawk missiles in connection with the transaction involving Iran and Israel.

Now, are you saying that to the best of your knowledge, that fact is unconnected with Mr. Rabin's visit on Friday and your conversation with Mr. Weinberger on Saturday?

Mr. **McFarlane**. No, I just tried to tell you. As best I can recall, when these matters came up and in what fashion and concretely what was said, and I just don't believe that it was discussed between the Secretary and myself, but I am perfectly open to suggesting that, because I do know that in fact, Hawks were transshipped that it is likely that my deputies or someone with minority would have gone ahead to deal with the Defense Department.

I accept your point, but not that it occurred as you are portraying.

Mr. **Nields**. You are saying that perhaps you communicated Mr. Rabin's concern to Poindexter or North on Friday, and they were the ones who made queries with the Department of Defense?

Mr. **McFarlane**. I think I left word with my deputies of whatever was discussed with Mr. Rabin, but in point of fact, we didn't get into the concrete issues of trying to help alleviate the problem, because we didn't know of a need to do so until I had the call from Geneva from Mr. Rabin.

Until that time, I don't think there was a request from Mr. Rabin for us to help him with anything, and that first arose when he went to New York, I went to Geneva and he called me there to resolve the problem. I called back to my deputies and they proceeded to do it, which it seems likely to me would have generated the kind of discussion with the Defense Department that you have summarized.

So, I am ready to presume that it did happen, but I think in the way I just described it.

Mr. **Nields**. Did Mr. Rabin, when he called you in Geneva, raise the issue of replenishment?

Mr. **McFarlane**. I don't remember. I doubt that the Defense Minister, who is a very cautious person, would have discussed the weapons on a non-secure trans-Atlantic call. I believe he said, "That I have a problem in the shipment, can you help?", and I said I would try to, and put somebody in touch with him from Washington.

Mr. **Nields**. The issue of replenishment was in fact raised by Mr. Rabin in his face-to-face meeting with you?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Was it as a result of his face-to-face meeting with you that the Defense Department was asked to look for Hawk missiles as they did one business day later?

Mr. **McFarlane**. I don't think that is true.

Mr. **Nields**. Are you saying that you were not aware of the fact at the time that the Defense Department was asked to look for 120 replacement Hawk missiles?

Mr. **McFarlane**. I will accept that I was made aware of that, and I would not have been troubled or puzzled by it, because you are right, Mr. Rabin had made clear they were going to make a shipment and they would need to replenish whatever they shipped, so I support your point, and take responsibility for it.

I am saying that it probably played out in conversations between Defense staff and my own, Monday, Tuesday or whenever you say. I don't think I discussed it with Mr. Weinberger, but that doesn't alter the point that there were discussions.

Mr. **Nields**. Would such a search have required your approval?

Mr. **McFarlane**. For events——

Mr. **Nields**. For one of your deputies to make a request of Defense to look for 120 replacement Hawk missiles?

Mr. **McFarlane**. Well, not necessarily.

Mr. **Nields**. Are you saying that the Defense Department could be tasked to look for 120 replacement Hawk missiles in connection with a transaction with the Government of Iran without your knowledge and acquiescence?

Mr. **McFarlane**. Well, bear in mind that the Defense Department, the Secretary was fully aware of the fact that the President had approved the authority for Israel to make such shipments in the understanding that they would then come to the United States to purchase replacements.

And so, for that process then to play out as he could have expected it would, I don't think would have been surprising. This was—I guess I am saying that it is quite true that it would have been essential that the Cabinet officers take part in the decision. Once taken, its implementation could have been handled by subordinates, even, but there was no question in the mind of the Secretary that while he was against it, the President had approved of the policy.

Mr. **Nields**. There was something else that was involved in this transaction besides replenishment of Hawks, was there not, and that was hostages?

Mr. **McFarlane**. Yes.

Chairman **Hamilton**. Mr. Nields, before you go into that, we will take the 5-minute recess as previously announced.

[Recess.]

Chairman **Hamilton**. The committees will resume their session. Mr. Nields.

Mr. **Nields**. Thank you, Mr. Chairman.

Mr. McFarlane, when we broke we were talking about the fact that as part of this transfer of Hawks missiles, it was contemplated that the hostages were released.

Mr. **McFarlane**. Yes.

Mr. **Nields**. And that was a matter of some interest to you?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And the President?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And of course Mr. North?

Mr. **McFarlane**. Yes.

Mr. **Nields**. I would like you to refer briefly to exhibit no. 42. It is one of these PROF messages and it is from Mr. North to Mr. Poindexter. I am simply going to read some of it into the record and then I will ask you questions about it.

[The exhibit appears at p. 587.]

It is dated the 20th of November, 1985, and it starts off,

> The Israelis will deliver 80 MOD Hawks at noon on Friday, the 22nd of November. These 80 will be loaded aboard three chartered aircraft owned by a proprietary which will take off at two-hour intervals for Tabriz.

At the bottom of the first paragraph it refers to the fact that there is going to be a release of "five, repeat five AMSITS"—that is American citizens, is it not?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Those are the hostages, "from Hizballah, and they will be delivered to the U.S. embassy."

Mr. **McFarlane**. Yes.

Mr. **Nields**. It states in the next paragraph, after indicating a price of $18 million will be paid for the 80 Hawks missiles, it says, "No aircraft will land in Tabriz until the AMSITS have been delivered to the embassy."

Mr. **McFarlane**. Yes.

Mr. **Nields**. So it is contemplated there that the Hawks will not be delivered until after the hostages have been released.

Mr. **McFarlane**. That is correct.

Mr. **Nields**. And that is to avoid the kind of situation that you faced in September, I take it?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And then in the next paragraph it says, "Replenishment arrangements are being made through the MOD purchasing office in New York." What does MOD refer to there?

Mr. **McFarlane**. Ministry of Defense, I imagine.

Mr. **Nields**. That is Israel?

Mr. **McFarlane**. Yes.

Mr. **Nields**. There is, to say the least, considerable anxiety that we will somehow delay on their plan to purchase 120 of these weapons in the next few days. That is anxiety by Israel, I take it?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it indicates that they anticipate getting their 120 weapons in the next few days?

Mr. **McFarlane**. Yes.

Mr. **Nields**. In accordance with your instructions, I have told their agent that we will sell them 120 items at a price they can meet. It says, "I have further told them that we will make no effort to move on their purchase LOA"—what is LOA?

Mr. **McFarlane**. Letter of offer and agreement; that is the terms of a weapons sale——

Mr. NIELDS. Until we have all five AMSITS safely delivered. In short, the pressure is on them. "Them" here is the Israelis?

Mr. MCFARLANE. I suppose so, yes.

Mr. NIELDS. Because they—if the hostages don't come out and they deliver their weapons, they won't get any replenishments?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Then it refers to dispatching a covert hostage debrief team to Weisbaden, and it says there is the distinct possibility that at the end of the week we will have five Americans home and the promise of no future hostage takings in exchange for selling the Israelis 120 MOD Hawks?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Isn't it true that you were aware of the fact that there was an incipient exchange of Hawks missiles for American hostages?

Mr. MCFARLANE. I think I was. I was certainly hopeful. I didn't give it more than about a 20 percent probability, but, yes, hopeful.

Mr. NIELDS. And you communicated that in Geneva to the President, did you not?

Mr. MCFARLANE. Yes.

Mr. NIELDS. You told him that the Israelis were shipping weapons and that there was hope that the hostages would come out by the end of the week.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And you also communicated it to the Secretary of State in Geneva?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And, indeed, in the Tower Commission report at page B-31 it states that "Secretary Shultz testified and told the board that McFarlane told him on November 18, 1985 in Geneva that four hostages would be released on Thursday, November 21. He said that Israel would fly a plane with 100 Hawks missiles to a third country and transfer them to another aircraft. If the hostages were released, the airplane would fly to Iran. If not, it would fly to Israel. Israel would buy replacements for these missiles from the U.S. and would be paid by Iran."

And then he says, "I complained to McFarlane that I had been informed so late that it was impossible to stop this operation."

My first question is, did you tell these things to Secretary Shultz in Geneva?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And I take it he did complain?

Mr. MCFARLANE. I have to take your word for it. I don't recall it that way.

Mr. NIELDS. Then there was a foul-up, was there not, which you learned about while you were in Geneva that needed to be straightened out?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And there was a foul-up in the ability to transship the Hawks missiles from Israel to Iran?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And at first you learned about it from Minister Rabin over the telephone?

Mr. MCFARLANE. Yes.

Mr. Nields. And you communicated to your deputies in Washington?

Mr. McFarlane. Yes.

Mr. Nields. And asked them to see if they could straighten it out?

Mr. McFarlane. That is right.

Mr. Nields. And then there came a time when you learned from them that they had been unable to straighten it out and they needed your help?

Mr. McFarlane. That is correct.

Mr. Nields. And at that time you were in Rome?

Mr. McFarlane. That is correct.

Mr. Nields. And you called a foreign minister of a third country in order to obtain transit rights for the Hawks missiles?

Mr. McFarlane. That is correct.

Mr. Nields. Now, the hostages did not come out?

Mr. McFarlane. No.

Mr. Nields. And I take it that was a matter of some disappointment to all concerned, including you?

Mr. McFarlane. Yes.

Mr. Nields. And there came a time thereafter when you had a meeting, I think you have testified on December the 7th, with members of that security council in which the general subject of arms and hostages was discussed?

Mr. McFarlane. Yes, sir, that is right.

Mr. Nields. And Iran?

Mr. McFarlane. Yes.

Mr. Nields. And then you went to—then you went to London?

Mr. McFarlane. Yes.

Mr. Nields. And in London you met Mr. Ghorbanifar?

Mr. McFarlane. That is correct.

Mr. Nields. You have testified to a number of things that he said, but isn't it true that one of the things that he said was that the wrong kind of Hawks missiles had been delivered to Iran in November?

Mr. McFarlane. Yes.

Mr. Nields. That they had wanted the kind of missiles that shot down high flying planes and that they were given a different kind of missile?

Mr. McFarlane. Yes.

Mr. Nields. And he was quite angry about this and told you that his country was?

Mr. McFarlane. Yes.

Mr. Nields. And he said that that had jeopardized the continuing relationship of the two countries?

Mr. McFarlane. That is correct.

Mr. Nields. Now——

Mr. McFarlane. I told him to go pound sand, that is too bad.

Mr. Nields. But you remember those conversations?

Mr. McFarlane. Yes.

Mr. Nields. And they were about Hawks?

Mr. McFarlane. Yes.

Mr. Nields. And, in fact, they were about a particular kind of Hawks that had been delivered to Iran?

Mr. McFarlane. Yes.

Mr. Nields. Now, was there any discussion of a finding in connection with the November 1985 shipment?

Mr. McFarlane. I have learned that there was. I believe yesterday we covered that from November the 15th until December the 2nd, I believe, that I was out of Washington and I think that is when most of this interest emerged in having a finding as a consequence of the CIA having been brought in to resolve the problem of the late November shipment, and that understandably raised the concerns of the Director and the Deputy Director and I believe that that is what led to their having proposed to Admiral Poindexter that there be a finding.

Mr. Nields. But you are saying that what you are telling us now is based on things you have learned recently; is that right?

Mr. McFarlane. Yes.

Mr. Nields. I want to get at whether you were aware at the time of any discussions about a finding?

Mr. McFarlane. I really don't think that I was but I accept that it seems to me probable that at that December 7th meeting if the CIA was represented, and I think it was, that they would have been concerned and probably have taken that opportunity with the President present to say so, but I truly don't remember that occurring.

Mr. Nields. Well, I want to ask you a few questions about that, if I may, Mr. McFarlane. First, if you will turn to exhibit 56. Do you have that in front of you?

Mr. McFarlane. Yes.

Mr. Nields. It is a November 26, 1985 letter from Mr. Casey to Vice Admiral Poindexter, your deputy, and it attaches a brief finding which has not been signed, at least this copy has not been signed. Do you have that in front of you?

Mr. McFarlane. Yes, I do.

Mr. Nields. Now, you, as I understand it, were out of the country on November 26?

Mr. McFarlane. Yes.

Mr. Nields. I take it that explains why this was sent to your deputy rather than you?

Mr. McFarlane. Yes.

Mr. Nields. Now, the information that we have, and I think it has been made public previously, is that the CIA kept calling on the telephone following the 26th of November inquiring whether the finding had been signed, and they kept being told that it had not yet been signed, and they were told that until December the 5th.

Now, you indicated you were out of the country on November 26, and I take it when you came back, you stopped briefly at your house and then continued on to California?

Mr. McFarlane. Yes.

Mr. Nields. And then you returned from California to Washington on December 2nd; is that correct?

Mr. McFarlane. I believe that is correct. Whenever the President came back, yes.

Mr. **Nields**. Well, if you wish, you can refer to your calendar, your diary entries, which is exhibit 64. They reflect that you were in your office on December the 3rd

[The exhibit appears at p. 690.]

Mr. **McFarlane**. Fine.

Mr. **Nields**. OK. Now, the calendar also reflects that on December the 3rd, you had a meeting at 8:50 with Admiral Poindexter; that you had a meeting at 11:40 with Admiral Poindexter; that you had a meeting at 1:22 with Admiral Poindexter; at 4:58 with Admiral Poindexter; at 6:20 with Admiral Poindexter; and at 6:54 with Admiral Poindexter.

I take it that you resigned as National Security Adviser on the 4th?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And would it be a fair assumption that on the 3rd, when you were meeting with Admiral Poindexter, among other things, you were preparing to pass the reins, so to speak, to him?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And discussing the various things that are on his or your agenda as of that time?

Mr. **McFarlane**. I imagine so, yes.

Mr. **Nields**. Now, my question to you is whether you discussed the draft finding which has been put in front of you as exhibit 65?

[The exhibit appears at p. 740.]

Mr. **McFarlane**. It really doesn't ring a bell. I have tried to recall whether it came up and I don't believe that it did. It could have. I don't believe it did.

Mr. **Nields**. So, you are saying that you did not handle the draft finding yourself.

Mr. **McFarlane**. No.

Mr. **Nields**. And you are saying that your deputy never mentioned it to you when you got back to town on the 2nd, 3rd and 4th of December?

Mr. **McFarlane**. I say I don't recall him mentioning it to me. I don't.

Mr. **Nields**. There is a bit of a problem with this finding, is there not, Mr. McFarlane? Referring to the short description, it only talks about arms and hostages, doesn't it?

Mr. **McFarlane**. Yes.

Mr. **Nields**. It doesn't say anything about broader initiatives.

Mr. **McFarlane**. Um-hum.

Mr. **Nields**. Did you have discussions either in November or December of 1985 or at any later time with Admiral Poindexter or anyone else about this finding?

Mr. **McFarlane**. No, I don't believe I did. And I say that because since you have pointed it out, that would have jumped out as something that wasn't consistent with my own motives in the Iran business, and frankly, the reason why I urged that it be discontinued in December, but I think that would have stood out in my memory, if it had come up between myself and the Admiral.

Mr. **Nields**. I would like you to turn briefly to exhibit 45. It is a long PROF message from North to Poindexter dated December 4, 1985, and I won't burden you or the committee at this time with reading the whole thing or even substantial portions of it.

[The exhibit appears at p. 594.]

Suffice it to say that in the second paragraph, it makes reference to the attempted transfer of 80 Hawks missiles which went awry; it discusses a substituted complicated plan of arms for hostages in five installments; and then at the end of the PROF message on the last page, it states, "Thus, the only parties fully aware of all dimensions of what we are about are you and RCM."

RCM is you, is it not?

Mr. McFarlane. Yes.

Mr. Nields. And I take it you were fully aware as of that time—December 4, 1985—fully aware of the Hawks transaction that had gone awry and of the proposals for the future?

Mr. McFarlane. Well, I don't believe I was. I would have thought that if I was it would have been by the PROFs note, which was a traveling system that I had with me, but without either getting that or being copied on messages like this one it is unlikely that I was.

Mr. Nields. But you were aware of the shipment of the 18 Hawks. I think you have already testified to the fact that that went awry and of various aspects relating to it, including your call to the foreign minister of a third country and Mr. Rabin's concern about replenishment.

Mr. McFarlane. Yes, I have said that, and my point is only to say that I have not read this message.

If you are saying that I was conscience of everything in it, I will be glad to take time to read it. I don't believe that I had then or have now a grasp of all the nitty-gritty of that mission.

Mr. Nields. And Mr. North and Mr. Poindexter, as you have also already indicated, were aware of that Hawks transaction which had gone awry.

And my question to you—and I don't want to belabor the point—but my question to you, once again, is why was it—how did it come about that all three of you a year later were, either through chronologies or interviews with the Attorney General, stating that in November of 1985 it was your understanding that the Israelis were shipping oil drilling equipment?

Mr. McFarlane. Well, I think, Mr. Nields, that I should say first of all that I accept responsibility for what happened, regardless of whether I knew about it or not. It was my job to have known, and I should have known whether I did or not.

I believe that, because in the time from September to November of 1985 I was almost completely absorbed with preparations for the Geneva summit.

In September we had the visit to Washington of the Soviet foreign minister, preparations for those include not only defining the agenda, but the President's absorption, digestion, and readiness to negotiate a number of items.

It also involved the promotion in this country to Americans each of the four agenda items that the President was going to Geneva to meet on. That required four major speeches, all of whom were done by the NSC.

In October it required that we not only go to the United Nations for a major delivery of a speech there and meet with a number of heads of State, but as well, that I go to Moscow for a pre-trip, presummit planning trip with Secretary of State Shultz.

Throw in Achille Lauro to occupy your free time, and you can see that I was not spending a lot of time on anything else. That is quite true. I am sure it is probably negligent, but it just isn't one of those things that I chose to send a lot of time on.

I did go to Geneva and from that time until I left the government I was only in Washington from December 4 forward.

Now, I do not mean by that to say that I am not responsible, because I am, but I am also stating a simple fact, and that is that I doubt that I had then or have now a complete and thorough detailed knowledge of what happened on that shipment in which I was uninvolved except as a terminal player with the third country foreign minister.

Mr. NIELDS. Did you during the week of November 17, 1986 discuss with North or Poindexter the fact that each of you were going to say that your understanding of the November 1985 shipment had been that it was oil drilling equipment?

Mr. MCFARLANE. No.

Mr. NIELDS. Did North or anyone else tell you either on the 20th of November, which is a Thursday, or the 21st, which is a Friday, that a dispute had arisen about what the government knew of the Hawks shipment in November of 1985?

Mr. MCFARLANE. I think you are right. I would have said, I believe, 18th, but you are perhaps correct.

The way I recall it was the mention by Colonel North to me and it is probable that evening setting on November 18, that at the time it was ambiguous to him whether or not the shipment was to be of oil parts or of Hawks. But I thought that at the time he acknowledged that in the course of the shipment, he did learn that it was indeed Hawks. At the time I had a very superficial recall of exactly what had happened for the reasons I have stated and having been out of the country.

But as to translating from that statement in 1986 to me of Colonel North's uncertainty about when precisely he learned that it was Hawks and not oil parts, I don't know how or if that was translated into the chronology actually written.

Mr. NIELDS. Did North tell you on Thursday or Friday of that week that the Attorney General had come back from a trip because of a problem with the stories that were being told about the November, 1985, shipment?

Mr. MCFARLANE. That doesn't ring any bells.

Mr. NIELDS. You had a meeting with Mr. Ledeen and Mr. North in the middle of the day on Friday; I think you have already testified to it.

Mr. MCFARLANE. Yes.

Mr. NIELDS. That was set up in advance, was it not?

Mr. MCFARLANE. It was set up that day. Bear in mind that I was out of the city. I left on Wednesday, and was not in the city on Wednesday or Thursday, until late in the day on Thursday.

Mr. NIELDS. Did North tell you at that meeting with you and Ledeen that a problem had arisen concerning the story you were telling and he was telling about the November, 1985, shipment?

Mr. McFARLANE. I don't really remember that he—what he talked about there. It was a very brief encounter. I believe yesterday I said that he came late and said that he would have to arrange to come back again to see Mr. Ledeen. And then I or Mr. Ledeen said that he had—that he, Ledeen, had been going over what his role had been, and I will accept your point that he raised it. It doesn't—it isn't familiar to me.

Mr. NIELDS. Did he tell you specifically that a question was being raised by people at the State Department?

Mr. McFARLANE. No, but I learned, I believe from the Attorney General himself, that the State Department recalled that the Secretary had, I think, his own notes, that it had been Hawks missiles, and I could accept that.

Mr. NIELDS. It is your testimony that until you went to see the Attorney General, no one had told you that the State Department was raising a question about the story that you and North were telling?

Mr. McFARLANE. I don't remember anyone saying that.

Mr. NIELDS. I would like to switch topics now, Mr. McFarlane, and address the subject again of the Contras, particularly the Congressional inquiries, in the summer of 1985. I think you have already testified about them, but would it be fair to say that in the summer of 1985, there were some news articles about the Contras and the NSC?

Mr. McFARLANE. Yes.

Mr. NIELDS. And the news articles were on the subject of where the Contras' funding was coming from and whether the NSC was giving them any support.

Mr. McFARLANE. That is correct.

Mr. NIELDS. And I take it that you then received a letter or letters from several members of Congress and the Senate?

Mr. McFARLANE. Yes, I did.

Mr. NIELDS. And one of them was from Congressman Barnes?

Mr. McFARLANE. Yes.

Mr. NIELDS. And I think that has been marked as exhibit 40A.

[The exhibit appears at p. 547.]

Mr. McFARLANE. Yes.

Mr. NIELDS. And he states, indeed in the very first paragraph, I am writing in response to recent press reports, and he indicates that they are on the subject of the NSC staff members providing advice and fund-raising support to the Nicaraguan resistance.

Mr. McFARLANE. Yes.

Mr. NIELDS. And he asks you to supply information on that subject and also documents. Is that correct? That is the beginning of the second page of the letter.

Mr. McFARLANE. Yes.

Mr. NIELDS. And I think you have testified that when you got the letter or learned that it had been received you asked Commander Thompson to pull the relevant documents?

Mr. McFARLANE. I think probably Admiral Poindexter, but it was ultimately done by Brenda Reger, the Freedom of Information Act professional, and given to Admiral Poindexter, and in turn, to Commander Thompson, is that correct?

Mr. NIELDS. And Commander Thompson is a lawyer?

Mr. **McFarlane**. Yes sir, he is in the JAG Corps of the Navy.

Mr. **Nields**. And when you returned to Washington, he gave you the documents that had been pulled?

Mr. **McFarlane**. That is correct.

Mr. **Nields**. And told you that some of them were problematic?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And you then made a list of the ones that were problematic?

Mr. **McFarlane**. Well, I went through and read them all and had my own judgments about which were of concern and I did make a list of those, yes.

Mr. **Nields**. And the listing has been marked as exhibit 40 and I think you have testified that it is in your handwriting?

[The exhibit appears at p. 545.]

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it lists six documents by the number in which they were filed in NSC files?

Mr. **McFarlane**. Yes sir.

Mr. **Nields**. And one of those documents is numbered 400213?

Mr. **McFarlane**. Yes.

Mr. **Nields**. I think that document has been marked exhibit 35.

[The exhibit appears at p. 492.]

Mr. **McFarlane**. Yes.

Mr. **Nields**. And this is one of the ones which you found to be problematical?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And this is a memorandum from North to you, I take it?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Dated March 5, 1985?

Mr. **McFarlane**. Yes sir.

Mr. **Nields**. And that was in fact sent to you at the time—in other words, it was sent to you on or about March 5, 1985?

Mr. **McFarlane**. I expect so, yes.

Mr. **Nields**. So this is the second time that you were reading it? August of 1985 was the second time you were reading it?

Mr. **McFarlane**. Probably so.

Mr. **Nields**. I take it what Mr. North is trying to do here is to reward a certain Central American country for assistance that it had provided to the Contras in obtaining arms?

Mr. **McFarlane**. Well, I think that any objective person would see it that way. I don't intend to what the Navy calls see a lawyer about it, but the fact that a country on its merits deserves foreign aid is a condition which Ollie could very well wrap into a more romantic portrayal of why they ought to be getting it. Now, it isn't worth arguing about.

Yes, for me, to ask Cabinet officers and the Chairman of the Joint Chiefs whether they thought Guatemala was deserving of foreign aid is a reasonable thing to do. On its merits it was worth endorsing. In March when it came across, I don't recall having gotten—paying attention to it at all. When it came up in August, I do recall saying that this is just one more kind of example of hyperbole where innocent propositions are given a rather lurid kind of cast that was just not true.

Mr. NIELDS. But North's purpose in this memo is to reward this Central American country for helping the Contras get arms?

Mr. McFARLANE. That I think is correct, yes.

Mr. NIELDS. And he says so here, and these are his words, I understand, not yours, "the real purpose of your memo is to find a way by which we can compensate the Central American country for the extraordinary assistance they are providing to the Nicaraguan Freedom Fighters."

Mr. McFARLANE. Yes.

Mr. NIELDS. Then he goes on to say that at tab 2, "Are end user certificates which the Central American country provided for the purchase of nearly $8 million worth of munitions to be delivered to the FDN.

Mr. McFARLANE. Yes.

Mr. NIELDS. An end user certificate, I take it, is a certificate that states the actual final user of munitions?

Mr. McFARLANE. That is correct.

Mr. NIELDS. And in this case, this Central American country was not the final user of the munitions?

Mr. McFARLANE. Yes.

Mr. NIELDS. So the end user certificates were false?

Mr. McFARLANE. That is right, in the normal course of CIA security of a movement the requirement is to identify a country and by working through intelligence sources, and sister services, to gain the cooperation of another country's intelligence service to provide end user certificates. And it isn't beyond imagination—in fact I assume that when the agency was authorized and took part in training the Contras that that was part of the training, how you do that.

Mr. NIELDS. And I take it that North's purpose here is to reward the Central American country for having these false end user certificates?

Mr. McFARLANE. I think that is true. It may be interesting to note that the United States was providing military assistance to other Central American countries, to Salvador, to Honduras, and to Panama in much lesser sums, but Guatamala was the exception and it was because the Congress had understandable complaints about their human rights record and the killing of peasants and others by militia forces of internal security forces but that had begun to change for about a year's time and there had been a new government and for me raising the question——

Mr. NIELDS. Without getting into what Central American country we are talking about, and you have listed a number, I take it it is fair to say, that Mr. North was in touch with people from that Central American country?

Mr. McFARLANE. Yes.

Mr. NIELDS. And, indeed, he had obtained what he refers to as a wish list from that country?

Mr. McFARLANE. Yes.

Mr. NIELDS. And he has been in touch with them, would you not infer, in connection with their having provided these end user certificates?

Mr. McFARLANE. I suppose.

Mr. NIELDS. And the wish list is attached to this document, is it not, as an exhibit, in the document——

Mr. GARMENT. Mr. McFarlane had not completed his answer to your previous question and I think he should have an opportunity.

Mr. NIELDS. I think he should, too. I had a reason for wanting to pose another question, but please if there is more information you want to give us as to a previous question, you may do so.

Mr. GARMENT. Never mind.

Mr. NIELDS. The wish list is attached, is it not, to exhibit 35, it is the last document, and it is a list of various kinds of military equipment that this country wants.

[The exhibit appears at p. 492.]

Mr. MCFARLANE. Yes.

Mr. NIELDS. And North had obtained that wish list?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And I take it it is fair to infer from this document as I say and as you have testified that he has had some conversations with the people from that country?

Mr. MCFARLANE. Yes.

Mr. NIELDS. In connection with the memo that he is writing to you?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And what he is writing—he is asking you if you will make a recommendation to the Secretaries of Defense and State that this Central American country be rewarded?

Mr. MCFARLANE. I don't think it was quite accurate. He is asking that I ask them for their views on whether this country merits the aid, I believe.

Mr. NIELDS. Well, he is asking you to send a memorandum which recommends that they be given some aid?

Mr. MCFARLANE. Yes, and I felt that way. I didn't feel that way because they were giving support to the Contras alone, although, gosh, that certainly wouldn't disqualify them for me.

Mr. NIELDS. And you did eventually send that memorandum?

Mr. MCFARLANE. Yes.

Mr. NIELDS. The one that Mr. North had recommended that you send?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And he says in his memo to you at the top of page two, your memo does not refer to the arrangements which have been made for supporting the resistance, referring to the Nicaraguan resistance, I take it.

Mr. MCFARLANE. Yes.

Mr. NIELDS. And in fact, your memorandum did not make any such reference?

Mr. MCFARLANE. No.

Mr. NIELDS. Did you tell Mr. North at or about the time you got this memorandum that he should be careful to tell the Central American country that there was no connection between what you were doing and the fact that they had supplied end user certificates for the Contras?

Mr. MCFARLANE. Did I tell him to say that there was no connection?

Mr. NIELDS. Yes.

Mr. McFarlane. I don't think I told him anything.

Chairman Hamilton. Mr. Nields, if you will excuse the interruption, it is twelve o'clock, and I take it you still have a few more questions to ask.

Mr. Nields. I do, Mr. Chairman.

Chairman Hamilton. May I suggest then that we recess until two o'clock this afternoon, at which time Mr. Nields will resume questioning. The committees will stand in recess until 2:00 p.m.

[Whereupon, at 12:00 noon, the committees recessed, to reconvene at 2:00 p.m. the same day.]

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2:00 p.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman Hamilton. The joint hearings of the two select committees will continue. And Mr. Nields, you may continue your questioning.

Mr. Nields. Good afternoon, Mr. McFarlane.

Mr. McFarlane. Good afternoon.

Mr. Nields. I am going to briefly switch subjects once again to your May 1986 trip to Tehran.

Mr. McFarlane. Yes.

Mr. Nields. I think this is all clear, but I want to make certain. Who was in charge of that mission?

Mr. McFarlane. I was.

Mr. Nields. And when you first flew into Tehran, you were carrying, as I understand it, one pallet of Hawks spare parts.

Mr. McFarlane. Perhaps it would be useful to describe a pallet. I imagine that it was twice the length of this table and probably twice as wide and perhaps six feet high.

Mr. Nields. And there were many more pallets which were left behind in Tel Aviv?

Mr. McFarlane. Yes, there were.

Mr. Nields. Then there came a time when you gave directions for a plane to take off carrying the remaining spare parts?

Mr. McFarlane. I did not give that direction. It was given during the night by Colonel North, and when advised of it, I turned it around and sent it back.

Mr. Nields. Well, OK. That, I think, leads into the question that I wanted to ask you. We had testimony last week from Mr. Secord that he was the owner of these spare parts, and that he could decide whatever he wanted with them.

Was that your understanding?

Mr. McFarlane. No. It was my understanding that the parts were being sold by the U.S. Government, I thought directly to Iran. But I have to say, I can imagine that it would have made sense to go through a cut-out for it, but my assumption was they were being sold by the United States to Tehran.

They had come from warehouses in the United States, and I assumed were palletized by Americans in these planes.

Mr. **Nields**. And who could make the decision as to whether those Hawks parts would be delivered to Tehran?

Mr. **McFarlane**. I could.

Mr. **Nields**. And who could make the decision that they should not be delivered to Tehran?

Mr. **McFarlane**. I believe myself and no others.

Mr. **Nields**. And you did, I take it?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And General Secord obeyed your directions, did he not?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Wouldn't it be fair to say, Mr. McFarlane, that it was the U.S. Government that was in control of what happened to those spare parts while you were in Tehran?

Mr. **McFarlane**. Yes.

Mr. **Nields**. I am going to switch back now to the subject we were on just before we broke for lunch, and this has to do with queries that were made of you by various committees of the House of Representatives concerning support of the Contras.

Mr. **McFarlane**. Yes, sir.

Mr. **Nields**. You have indicated that this subject and episode are not perhaps your favorite, and it is not my intention unnecessarily to have you repeat testimony you gave yesterday, but this is a matter of concern to the House of Representatives, which has——

Mr. **McFarlane**. Mr. Nields, you are being terribly kind, and during the break, I had the misfortune to turn on the television whereby a young woman was describing that I was a rather fragile flower that had to be catered to. That is nonsense. Shoot your best shot.

Mr. **Nields**. I will ask you questions about your correspondence with the House of Representatives.

Mr. **McFarlane**. Please do.

Mr. **Nields**. I think when we broke, you were testifying about one of the documents on this numbered list that you made of problematic documents.

Mr. **McFarlane**. Yes, sir.

Mr. **Nields**. And it was a document in which Colonel North had described false end user certificates provided by a Central American country, and a wish list of arms that he had obtained from that Central American country?

Mr. **McFarlane**. Yes, sir.

Mr. **Nields**. A second document on that list is a document numbered 402007, and that is exhibit no. 37. You testified about it yesterday. It makes reference to current donors. And I believe you testified yesterday that the current donors collectively referred to Country Two.

[The exhibit appears at p. 519.]

Mr. **McFarlane**. That is correct.

Mr. **Nields**. And that is the country that you testified about yesterday that essentially funded the Contras in 1984 and 1985?

Mr. **McFarlane**. That is correct.

Mr. **Nields**. And I think you testified also that this document indicates that the Contras used that money to purchase arms, and there is a list of the arms that they purchased attached to the document?

Mr. McFarlane. Yes, sir.

Mr. Nields. And again, without belaboring it, Country Two is the country whose representatives you had conversations with about the Contras prior to the donations?

Mr. McFarlane. Yes, sir.

Mr. Nields. Then there is another document—before I get off that one, obviously it goes without saying, I take it that this document eventually would—well, it reflects the fact that you and the National Security Council were aware of the Contra source of funding at that time?

Mr. McFarlane. Yes, sir.

Mr. Nields. Then there is another document on the numbered list, which is document numbered 401214. And it is exhibit no. 32.

[The exhibit appears at p. 466.]

Mr. McFarlane. Yes, sir.

Mr. Nields. And this document, again you testified about it yesterday—it comes in at least three parts. The first part, I think you said yesterday, reflects that North interceded with a third country in order to facilitate a shipment of arms to the Contras.

Mr. McFarlane. Yes.

Mr. Nields. And then the second page of the document makes reference to reports received from General Singlaub, or that he had given North, relating to his contacts with two other countries?

Mr. McFarlane. That is correct.

Mr. Nields. Then the last page of the document reads as follows:

> This weekend, at the request of Secretary John Lehman, I met with Mr. David Walker, a former British SAS officer who now heads two companies, KMS and SALADIN, which provide professional security services to foreign governments. Walker had been approached several months ago prior to initiating the current financial arrangement for the FDN. In addition to the security services provided by KMS, this offshore (Jersey Islands) company also has professional military 'trainers' available. Walker suggested that he would be interested in establishing an arrangement with the FDN for certain special operations expertise aimed particularly at destroying HIND helicopters. Walker quite accurately points out that the helicopters are more easily destroyed on the ground than in the air.
>
> Unless otherwise directed, Walker will be introduced to Calero and efforts will be made to defray the cost of Walker's operations from other than Calero's limited assets.

I have just read you a page from a document that North sent to you in December of 1984, and which you reviewed again in the late summer of 1985, and you marked as a problematic document.

Mr. McFarlane. That is correct.

Mr. Nields. Now, after—and we have only gone over, I think, three of the six problematic documents—after reviewing them and consulting with Colonel North, you then drafted a reply to Congressman Barnes' letter or he drafted one for you?

Mr. McFarlane. Yes, that is right.

Mr. Nields. And I believe that is exhibit 40B. Do you have that in front of you?

[The exhibit appears at p. 564.]

Mr. McFarlane. Yes, I do.

Mr. Nields. And is that your reply to Congressman Barnes?

Mr. McFarlane. Yes, that is.

Mr. NIELDS. And in that reply, you refer, do you not, to the search of documents that you did before you wrote the letter?

Mr. MCFARLANE. Yes.

Mr. NIELDS. You say in the first paragraph, "Like you, I take these charges very seriously,"—that is referring to charges that members of the National Security Council have been assisting the Contras—"and consequently have thoroughly examined the facts and circumstances which could bear upon these charges in any fashion."

That refers to your document review.

Mr. MCFARLANE. Yes.

Mr. NIELDS. Then you say in the next paragraph, based on this review, "I want to assure you that my actions and those of my staff have been in compliance with both the spirit and the letter of the law."

I think that was read yesterday into the record.

Mr. MCFARLANE. Yes.

Mr. NIELDS. At the bottom, in a section which I don't believe was read into the record, you expand on that statement, do you not? The bottom of that first page?

I will read it and then ask whether you would agree that you expand on that statement.

Mr. MCFARLANE. Yes.

Mr. NIELDS. You state at the bottom of the page, "Contrary to reports that we used these contacts,"—referring to contacts with Contras—"to provide 'tactical influence' or to plan military operations, we urged the resistance leaders to forge a representative political front involving credible nonmilitary figures at achieving a democratic outcome in Nicaragua."

You would agree, and I think that you have already testified to this, that that is not a fair summary of what the documents show Colonel North was doing with respect to the Contras?

Mr. MCFARLANE. Well, I don't think that I would make that suggestion. This is administrative information which is true. It isn't intended to portray what the documents reflect.

Mr. NIELDS. Well, you continue it, I think, in the rest of that paragraph, and you say, for example, in the last two sentences of the paragraph, "Throughout, we have scrupulously abided by the spirit and the letter of the law. None of us has solicited funds, facilitated contacts for prospective potential donors, or otherwise organized or coordinated the military or paramilitary efforts of the resistance."

Actually, you had facilitated contacts for prospective, potential donors, had you not?

Mr. MCFARLANE. Well, I perhaps was drawing the distinction between when that was a matter not proscribed in law, but unless you are talking about other contacts among private citizens in this country—are you—I mean, I——

Mr. NIELDS. No, I was referring to Country Two and the fact that the actual donors had, as I understand it, Country Two was the actual donors——

Mr. MCFARLANE. Yes.

Mr. NIELDS. And that you had not only facilitated contacts, but you had facilitated the actual contribution.

Mr. McFarlane. I will accept that, yes. I think I said that yesterday.

Mr. Nields. And then you state at the end of the letter, "Mr. Chairman, like you, I am most concerned that at a time when humanitarian assistance is being extended to the UNO, there be no misgivings as to the existence of any parallel efforts to provide, directly or indirectly, support for military or paramilitary activities in Nicaragua. There has not been, nor will there be, any such activities by the NSC staff."

Now, that—it is difficult, would you not concede, to square that statement with the memos that you had put on your list which show, for example, that North was receiving wish lists from a Central American country that had supplied false end user certificates for the Contras?

Mr. McFarlane. I don't want to split hairs, Mr. Nields. I accept the responsibility for these things. I think to the extent that your question just now implies that I was witnessing at the time that Colonel North was engaged in providing himself channels and parallel effort for support of the Contras is not the case. With regard to the end user certificates that you mentioned, the fact of how Colonel North came by those, if he did in fact, isn't clear yet. The possibility that the Contras on their own had been instructed by the CIA, during the time it was legal for them to do so, on how to get those end user certificates is a possibility. I think it unlikely but at the time the existence of an infrastructure of parallel support wasn't clear.

Mr. Nields. Actually, the end user certifications were supplied on their face, were they not—they bear the name of Mr. Secord's company?

Mr. McFarlane. I think that is a valid point. Not until this investigation have I looked at the end user certificates, and if I had that would certainly have flagged my attention, because it is an American company being referenced there.

Mr. Nields. But the end user certificates were attached to the very document that you pulled out of NSC files?

Mr. McFarlane. That is correct, but I always did the action papers at the end of the day, at 6 o'clock, when people would go home and I would get most of my work done, paper work done between 6 and 10. So I would go through and determine what the operative requirement was for me, what am I being asked to do, in this case sign a memorandum asking whether or not a certain country ought to be beneficiary of foreign aid.

That isn't an issue, of course they should, and I signed it. It was inattentive at least for me not to go back through each of the tabs. I don't always go back through each tab because if clearly on the merits of the case—as in this case—a Central American country being deserving or not, of foreign aid—the attachments were gratuitous to me, but it has resulted—and I am remiss because of it—has resulted in the failure of me to identify that there was a U.S. company involved here and that would have jumped out at me I think.

Mr. Nields. You are testifying what you did or what you read at the time the memo was written?

Mr. McFarlane. Yes.

Mr. NIELDS. Then I take it you reviewed all these memoranda again shortly before you wrote the letter?

Mr. MCFARLANE. I did, but I still didn't look at the certificates.

Mr. NIELDS. But you flagged the ones as problematic and wrote them on a list?

Mr. MCFARLANE. Yes.

Mr. NIELDS. In your letter to Congressman Barnes you made no reference to his request for duplicates did you?

Mr. MCFARLANE. No.

Mr. NIELDS. And that resulted in his sending you another letter?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And that letter is marked exhibit 40C. Do you have that in front of you?

[The exhibit appears at p. 551.]

Mr. MCFARLANE. Yes, I do.

Mr. NIELDS. And that is a letter to you from Congressman Barnes dated September 30, 1985, is that correct?

Mr. MCFARLANE. Yes, it is.

Mr. NIELDS. And it says in its third paragraph, "I am sure you understand the pertinent documents must be provided if the committee is to be able to fulfill its obligation." Do you see that?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Congressman Barnes wanted to be able to look himself at the same documents which you had looked at?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And at that point in time, you did not want him to?

Mr. MCFARLANE. It wasn't a matter of looking at them, but here the transmission and delivery of documents to the Hill is a distinction that is fairly often drawn.

Mr. NIELDS. But I take it you did not want him to look at those documents?

Mr. MCFARLANE. No, I invited him down to allow him to look at them.

Mr. NIELDS. Before you did that, didn't you have a conversation with Mr. Thompson on the subject of whether it was proper to re-write the documents?

Mr. MCFARLANE. Yes, but that didn't affect what happened to the documents prepared and collected for this investigation.

Mr. NIELDS. But you did discuss that with Mr. Thompson and he told you that he thought documents that go from an inferior to a superior and that were put in NSC files could not be re-written?

Mr. MCFARLANE. Yes.

Mr. NIELDS. And nonetheless, you had North draft some revisions to one or two of these documents?

Mr. MCFARLANE. Well, it isn't nonetheless, because only after North made the distinction between what I interpreted and what was true and went away to write what he said to be the true case did I then consult with Mr. Thompson and based upon what he said, although I didn't take it as an informed opinion, truly, I did not integrate what Colonel North had written.

Mr. NIELDS. So, first, you had North re-write a couple of the documents, then you went to Mr. Thompson and asked him if it was proper and he said no, and you, in fact, did not re-write any of the documents?

Mr. McFARLANE. None of them were integrated into existing files.

Mr. NIELDS. Thereafter, one week after you had decided not to rewrite the documents, you did contemplate withholding them from Congress, did you not?

Mr. McFARLANE. Well, I asked the advice of counsel in the White House at the time, Mr. Fielding, and I was looking for his advice on how to handle an executive legislative matter, and this was a fairly common occurrence where various committees would seek information, and there were about a half a dozen different ways of meeting the needs of the Congress and the needs of the White House in this case, and they included such alternatives as sending the documents if they didn't involve any advice to the President, taking the documents to the Hill to be read at the Hill with staff, short of that, taking them to the Hill, but no staff, short of that, bringing the Member to the White House with staff, short of that, without staff, and so forth.

But that kind of call was normally made by the Legislative Office or by the counsel in the White House, and that is why I asked Mr. Fielding about it.

Mr. NIELDS. Or simply flatly asserting executive privilege.

Mr. McFARLANE. Yes.

Mr. NIELDS. And you discussed that with Mr. Fielding, did you not?

Mr. McFARLANE. Yes.

Mr. NIELDS. And what you eventually—before I get to that, I take it then it is the case since you contemplated changing the documents, and you contemplated withholding them altogether, that you did not want to reveal them to the Congress.

Mr. McFARLANE. That is really not so. There was no question in my mind but that it would be an extremely torturous, conflicting, disagreeable outcome and that I hoped that we didn't come to that, yes, that is true, but at the same time it seemed to me that the nature of those infractions of law that I had been able to identify in point of fact were not the sorts of things that the Congress had been terribly concerned about.

I had no illusions that it wouldn't become or could become from the political point of view quite an embarrassing thing but the documents were collected and the Congressman could have, had he chosen, gone ahead to read them.

Mr. NIELDS. In any event, I take it you communicated back to Congressman Barnes that you would not let any of his staff review them.

Mr. McFARLANE. Yes, that is correct.

Mr. NIELDS. And you told him to come down to your office and he did.

Mr. McFARLANE. I invited him down, yes, that is right.

Mr. NIELDS. And you had some documents on your desk when you met with him?

Mr. McFARLANE. Yes.

Mr. NIELDS. And you met with him for a relatively short period of time, did you not?

Mr. McFARLANE. Yes.

Mr. NIELDS. How long was it?

Mr. McFarlane. I think——

Mr. Nields. Half-hour, hour?

Mr. McFarlane. Not more than 10 minutes or so.

Mr. Nields. And you had budgeted a relatively short period of time, had you not?

Mr. McFarlane. Yes.

Mr. Nields. And I take it—it was part of your thinking that if a busy Congressman came down to your office and saw a substantial stack of documents, and you were having a short meeting, it was very unlikely that he would ask to read through the documents from one end to the other?

Mr. McFarlane. I think that is true, yes.

Mr. Nields. But you also had available to you, did you not, a memorandum from Mr. Thompson that he had written you the day before? That would be exhibit 70. Do you have that in front of you?

[The exhibit appears at p. 752.]

Mr. McFarlane. Yes, I do.

Mr. Nields. And that is a memorandum from Mr. Thompson to you?

Mr. McFarlane. Yes, it is.

Mr. Nields. Dated October 16, 1985?

Mr. McFarlane. Yes.

Mr. Nields. And your meeting with Congressman Thompson was going to be on October 17?

Mr. McFarlane. Congressman Barnes, yes, that is right.

Mr. Nields. I am sorry, what did I say? Congressman Barnes, yes.

Mr. McFarlane. Yes.

Mr. Nields. And it was going to be according to this memo, you had budgeted an hour, 8:30 to 9:30.

Mr. McFarlane. Yes.

Mr. Nields. And Thompson writes in this memo, and I will read from the second and third paragraphs,

> In addition to assuring Representative Barnes that all the members of your staff are directly responsible to you for their actions, and that none of them has violated the letter or the spirit of the law, you should advise him that any contact with Contras was at your direction and with your knowledge in furtherance of the President's initiatives.

Then, it says in the next paragraph,

> Any documents pertaining to the above contacts are internal and deliberative in nature and are furthermore not NSC agency documents. As Presidential advisory papers, they fall under the dominion of the President and are no longer subject to your disposition.

Do you see that?

Mr. McFarlane. Yes, I do.

Mr. Nields. Did you receive this memorandum before the meeting?

Mr. McFarlane. Probably so, yes.

Mr. Nields. Now, when you met with Congressman Barnes, I take it he never reviewed any documents?

Mr. McFarlane. No, he didn't.

Mr. Nields. Did there ever come a point where you actually told him right then and there, Congressman Barnes, "You can read all the documents"?

Mr. McFarlane. Yes.

Mr. Nields. Are you certain of that?

Mr. McFarlane. I believe the way it went was that I told him what I had done in conducting the search, what I had done by way of interviewing Colonel North, other members of the staff, said that I had assembled the documents, and that counsel advised that he could review them in the White House without staff, if he chose. I believe that is exactly the way it went.

Mr. Nields. Did you have all of the documents on your desk at the time, including the problematic ones?

Mr. McFarlane. I think so.

Mr. Garment. Including the problematic ones.

Mr. McFarlane. I believe so, yes.

Mr. Nields. In any event, Congressman Barnes never read any of the documents?

Mr. McFarlane. No, he didn't.

Mr. Nields. And I take it it is fair to say that North stopped writing documents like that?

Mr. McFarlane. Well, I can account for about another month until I resigned. Beyond that, I don't know.

Mr. Nields. But I take it that Colonel North did not change his conduct with respect to assisting the Contras?

Mr. McFarlane. Well, I guess I don't have any first-hand basis for saying yes or no.

Mr. Nields. Then, could you turn to exhibit 45F? Do you have that in front of you?

[The exhibit appears at p. 614.]

Mr. McFarlane. Yes, I do.

Mr. Nields. This is a PROF, is it not?

Mr. McFarlane. Yes.

Mr. Nields. And it is dated after the time that you left the White House?

Mr. McFarlane. Yes.

Mr. Nields. But I think you have already testified that you had one of these machines even after you left the White House?

Mr. McFarlane. That is correct.

Mr. Nields. And this is a PROF from Oliver North to you, is it not?

Mr. McFarlane. Yes, it is.

Mr. Nields. Dated in February of 1986.

Mr. McFarlane. Yes.

Mr. Nields. The first part of it relates to Iran and then at the bottom, it says, "Have asked J.M.P."—that is Poindexter, is that correct?

Mr. McFarlane. Yes.

Mr. Nields. —"for a session with you and Dick Secord as soon as possible after Dick returns tomorrow night from Europe where he is setting up an arms delivery for the Nicaraguan resistance. A man of many talents, old Secord is."

Mr. McFarlane. Yes.

Mr. Nields. And you got that message from North in February of 1986?

Mr. McFarlane. Yes.

Mr. **Nields**. Then would you turn to exhibit 45H. Do you have that in front of you?

[The exhibit appears at p. 617.]

Mr. **McFarlane**. Yes, I do.

Mr. **Nields**. And this is a PROF from North to you dated March of 1986?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it starts, it reads as follows:

> After the House vote on aid to the resistance, I plan to take a few days just to get reacquainted with the family. Meanwhile, we are trying to find a way to get 10 Blowpipe launchers and 20 missiles through the Short Brothers rep.

Now, Blowpipe launchers and missiles are weapons, are they not?

Mr. **McFarlane**. They are, yes. It is a surface-to-air, hand-held, shoulder-fired, IR-seeking missile.

Mr. **Nields**. Then it goes on, "VP from Short Brothers sought me out several months ago and I met with him again a few weeks ago when I was there"—leaving out some country locations. "Short Brothers, the manufacturer of the Blowpipe, is willing to arrange the deal, conduct the training, and even send"—I can't read the next initials—"TECH REPS if we can close the arrangement. Dick Secord has already paid 10 percent down on the delivery and we have an EUC"—and that means end user certificate, does it not?

Mr. **McFarlane**. Yes.

Mr. **Nields**. —"which is acceptable to"—the country name is deleted. "Unfortunately, the week all this was going to closure, we decided to go forward"—the word is blank. "The arrangement is now on ice and we are casting about for a way to tell [country name deleted] that we would be pleased if all this went through. Your thoughts would be appreciated."

Mr. **McFarlane**. Yes.

Mr. **Nields**. He is telling you about some efforts by him and Dick Secord to get some Blowpipe missiles for the Contras, isn't he?

Mr. **McFarlane**. Yes. And I am glad, Mr. Nields, that you are bringing this out because I don't think it has ever been brought out before, the context in which this occurred. Specifically, as I left the administration, there were two important changes which altered the authority of the administration to do things that under my own time in government, it could not do.

Specifically, the two things were that there was a finding by the President on the Iran business; the CIA under that finding was put in charge of what amounted to a sale of U.S. weapons to third parties to Iran.

Now, knowing that or learning that after the fact from Admiral Poindexter, the involvement of the CIA suggested to me that, as with any CIA operation, they would contract to someone, and it wouldn't surprise me if it was someone who had worked with the CIA as General Secord had, to do X, Y or Z under the finding. That is an important difference. After I left, that could become the norm. But not while I was in government. So it wouldn't have surprised me tc know of General Secord's participation in 1986.

The second new condition that existed was that the administration was authorized to provide advice to the Contras. Now, it is true that there is a line to be drawn between what constitutes legal and other advice, and I believe the language in the report foreclosed advising on tactical military operations but not on intelligence or where you should go to buy your arms or this kind of thing generically. So to learn of efforts or interest on the part of the Contras in finding Blowpipes to something else would not have necessarily been out of bounds.

But I do take your point. I think it crossed my mind certainly that it wasn't just a matter of Colonel North's advising them for them then to get on an airplane and go to London and buy a Blowpipe. Probably he was giving them more advice than that, but I didn't know that certainly or for sure, and it wasn't necessarily out of bounds.

Mr. NIELDS. I take it you are saying two things. One is that you were aware that Mr. Secord was involved in helping the Contras.

Mr. MCFARLANE. From this message, that would be suggested, yes.

Mr. NIELDS. And the second is that you are aware after you left the NSC that Mr. North was, among other things, helping the Contras get weapons?

Mr. MCFARLANE. Yes.

Mr. NIELDS. Would you turn, then, to exhibit 46. Do you have that in front of you?

[The exhibit appears at p. 620.]

Mr. MCFARLANE. Yes.

Mr. NIELDS. The first paragraph—this is also, I take it, a PROF message in April, now, 1986, from North to you?

Mr. MCFARLANE. Yes.

Mr. NIELDS. The first paragraph I am going to skip. That deals with another subject.

The second paragraph reads as follows: "Also not a good weekend. Went to CENTAM,"—that is Central America—

> to try and reassure our friends, both governmental and resistance, that we would get funding through the Congress. In the four years I have been working this effort, it was the most depressing session to date. There is great despair that we may fail in this effort, and the resistance support account is darn near broke.

What was he talking about there, the "resistance account"?

Mr. MCFARLANE. I suppose the aggregate amount of funds that he had for supporting them. I don't know if he is distinguishing here between the humanitarian support and whatever support may have been collected otherwise.

Mr. NIELDS. And it goes on:

> Any thoughts where we can put our hands on a quick three to five million dollars? Gaston is going back to his friends who have given $2 million so far in hopes that we can bridge things again, but time is running out along with the money.

Gaston is who?

Mr. MCFARLANE. Probably Gaston Sigur, who at the time was the head of the Asian branch of the NSC.

Mr. NIELDS. And his friends, without identifying any particular one?

Mr. MCFARLANE. Well, I could guess that they were Asian friends, obviously. I do recall, as well, that I had heard—and I am trying to recall whether it was orally or in writing—after the fact of one of, I think, Mr. Sigur having made a contact with an Asian government seeking support and after having been turned down and my learning of it—and I made it very emphatic—we could have nothing to do either with seeking nor with making the arrangements for any third country donations and that if any third country had an interest, it had to be for them, handled by them with the Contras directly.

Mr. **Nields**. But I take it from this PROF message North is telling you that Mr. Sigur went to one of his friends, the third country, and got $2 million, and he is suggesting that he should go back again.

Mr. **McFarlane**. Yes.

Mr. **Nields**. Then the message goes on, "So far we have seven aircraft working, have delivered over $37 million in supplies and ordinance, but the pot is almost empty."

"Ordinance" means weapons, does it not?

Mr. **McFarlane**. Yes.

Mr. **Nields**. "Have told Dick"—you knew who Dick was?

Mr. **McFarlane**. Yes.

Mr. **Nields**. That is Mr. Secord?

Mr. **McFarlane**. Probably, yes.

Mr. **Nields**. "—to prepare to sell the ship first and then the aircraft as a means of sustaining the effort."

What was "the ship"?

Mr. **McFarlane**. I don't know. It sounds to me like he is writing this on the assumption that I did know what ship he was talking about. I didn't. I don't know today, for that matter.

Mr. **Nields**. You didn't have any conversations with him that are not on PROFs?

Mr. **McFarlane**. Well, we did. I don't think he ever told me about a ship.

Mr. **Nields**. Then he says, "Where we go after that is a very big question. How about Ross?" Do you know who that refers to?

Mr. **McFarlane**. It is very likely Mr. Ross Perot.

Mr. **Nields**. Then it goes on, as you know, "I have never asked him for help in this regard, believing that he would be inclined to talk about it." Now I take it from that, that you would conclude that Mr. North had made a—approached some other people for money who would not be inclined to talk about it.

Mr. **McFarlane**. Well, Mr. Nields, it is inferential.

I have to say I think your conclusions are justified entirely by a reasonable person reading these things, and I think it does little good for me to say repeatedly that this kind of, oh, Rabelaisean cast to the messages and to the creation of romantic kinds of activities are—I don't dismiss them at all.

But because I view them through four or five years experience of reading things which I knew to be not compatible with the realities of things I wouldn't necessarily have gotten upset. I was someone out of government unable to either get access to the truth or to confirm or deny the precise validity of what I was reading here.

Mr. **Nields**. But North, I take it, continued to talk to you even after you had left government and communicate to you through these PROF messages?

Mr. **McFarlane**. That is obviously true. I think perhaps in the year's time there may have been a dozen messages or once a month or so.

Mr. **Nields**. And he was quite open with you?

Mr. **McFarlane**. Yes.

Mr. **Nields**. About what he was doing with respect to the Contras?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Now, did there come a time, to your recollection, when there was a resolution of inquiry introduced in Congress with respect to Mr. North?

Mr. **McFarlane**. I believe there was such a resolution introduced in 1986, at least I do know that there were questions raised about Colonel North's activities.

Mr. **Nields**. Summer of 1986?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Also concerned with the question of North's support for the Contras?

Mr. **McFarlane**. Yes.

Mr. **Nields**. I would like you to turn to an exhibit that has been marked exhibit number 69. Do you have that in front of you?

[The exhibit appears at p. 751.]

Mr. **McFarlane**. Yes, I do.

Mr. **Nields**. Is that a PROF message that you were sent a copy of?

Mr. **McFarlane**. Yes. It appears to be from the Executive Secretary of the NSC staff to a number of people.

Mr. **Nields**. Including you?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it relates to an interview, does it not, between North and members of the House Intelligence Committee?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it is dated August 1986?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And it relates to this resolution of inquiry, does it not?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And whoever is reporting to you says the session was a success, North's remarks were thorough and convincing, and essentially that the inquiry is going to be dropped. Is that true?

Mr. **McFarlane**. Yes.

Mr. **Nields**. And then it gives a little more detail of the interview and it says, among other things, in response to specific questions, Ollie covered the following points: contact with FDN and UNO aimed to foster viable democratic political strategy for Nicaraguan opposition, gave no military advice, knew of no specific military operations?

Mr. **McFarlane**. Yes.

Mr. **Nields**. Now, there came a time, did there not, this December, or rather last December, 1986, when you were once again asked by Congressional committees to testify about Oliver North's activities?

Mr. **McFarlane**. This past year, in 1986?

Mr. **Nields**. Yes.

Mr. McFarlane. Yes.

Mr. Nields. December 1986.

I would like you to turn to exhibit 74. Do you have that in front of you?

Mr. McFarlane. Yes, I do.

[The exhibit appears at p. 759.]

Mr. Nields. And is that an excerpt of testimony that you gave before the House Foreign Affairs Committee?

Mr. McFarlane. Yes.

Mr. Nields. On December the 8th, 1986?

Mr. McFarlane. Yes.

Mr. Nields. And Congressman Barnes asks you a question at that time. Does he not?

Mr. McFarlane. Yes.

Mr. Nields. And what he says is, walk us through Mr. North's activities on behalf of the Contras from the time that you know they began up until your last knowledge of his activities on behalf of the Contras.

Then he says, I tried to get at that in my earlier question but maybe the best way to get at it is not to ask you specific questions, but to just ask you in a general way just sort of walk us through Mr. North's activities on behalf of aiding the Contras. Tell us what you know about his activities.

Then you responded. Did you not?

Mr. McFarlane. Yes.

Mr. Nields. And you said Lt. Col. North has basically sat on the interdepartmental groups that deliberate over overt and covert policy as it relates to Central America and from the time of the prohibition and Chairman Boland's amendment that was adopted in 1984, Colonel North's proscription or my proscription of him was that he do nothing beyond the law surely, but that, yes, his role ought to be in his liaison with the Contra leaders, simply to say that we didn't have any more authority to supply the money or the hardware, that it is going to take some time for the President to develop the national support, the congressional support to do it again, but that the President is committed to do it. He hopes that they can carry on. In short, kind of a morale building, hand holding kind of thing.

Separately, with regard to any other kind of fundraising or indirectly keeping them alive, supporting them, so forth, that he was not to do that. He could not solicit nor encourage nor otherwise be a broker of indirect support of the Contras.

Then Mr. Barnes asks you, in your testimony as to your knowledge he never did that?

Then you responded, Mr. Barnes, my firm belief is based on what he told me and that is that he did not do that and he has told me that many times.

Mr. McFarlane. Yes.

Mr. Nields. That is basically the sum and substance of what you told Mr. Barnes North did on behalf of the Contras?

Mr. McFarlane. Yes.

Mr. Nields. Then can you turn to exhibit 75? Is that testimony before the House Intelligence Committee given two days later?

[The exhibit appears at p. 761.]

Mr. McFarlane. Yes.

Mr. Nields. And you are asked, are you not, by Mr. Cheney, "I am curious about the Boland amendment and how it was adhered to during your tenure. In your view, did the Boland amendment apply to the National Security Council?"

And you responded, "Yes, sir."

Mr. Cheney then asked you, "prohibited NSC personnel from directing aid to paramilitary operations?"

You said, "Yes".

And then you were asked did you give instruction to those people on how they were to conduct themselves in light of the Boland amendment? Were they briefed, verbal instructions as to how to proceed?"

You responded,

> There was no written instruction made. Biweekly—we had staff meetings each morning—but the entire staff gathered twice weekly and at those sessions it was made clear that the law applied to us, and that no officers on the staff was to conduct activities at variance with the law.

Mr. Cheney then asked, "Were those instructions given to Colonel North?"

You responded, "Yes, sir."

Later down he says, "Do you have any reason to believe he violated that prohibition?"

And your answer is, "I don't, Mr. Cheney."

And you then give a description of your basis for that conclusion. You testified,

> at congressional request, in the form of letters of the subcommittee of the House Foreign Affairs Committee on this hemisphere, in the summer of last year, we went to considerable length to determine whether any activities had occurred that were against the law and specifically to require a review of all the files, memoranda that concerned both policy, operations, actions involving NSC people, contacts with Contra leadership, and this turned up two or three inches of paper that reported on contacts that did occur between Colonel North and myself, indeed, the President and Contra leaders.
>
> These were publicized in a matter of public record when the political leaders of the Congress would visit Washington and have meetings and on occasion, five occasions, Colonel North, we also called for the travel records of the Secretariate of NSC officers, where they had gone and what they had gone to do.

And then you say,

> And from the sum total of these documents, it was clear that the activities were to meet with Contra officials, civilian officials, tell them in so many words where we were, that we did not have congressional support for military help, that we would try to get it, continue working with the Congress, that we couldn't provide it in the short term, but we hoped that they would use the time until we hoped we could get it to strengthen their political organization, bring in people like Cruz and others to develop a new political program for they were being perceived as no more than an insurgency, develop that side of this platform but we couldn't do anything to help them.
>
> That was expressed in memoranda, so forth, that were turned up in the search. I asked Colonel North, I asked point blank, you are speaking a lot, I have encouraged you to do that. So do I.
>
> What have you been doing on occasions when someone asks can they contribute to the Contras or other military purposes? He said that occurred a number of times and he told them he could not be party to any transfers of monies and if they wished to be helpful they should go on their own, contact the Contra leadership. He had not been involved in brokering that.

That was the sum and substance of your response concerning your knowledge of Mr. North's activities.

Mr. McFARLANE. Yes.

Mr. NIELDS. Now, in fact, you knew that North was actively searching for money, and he sought out Blowpipe missiles for the Contras. You had obtained money from Country Two that had been used to supply the weapons in 1984 and 1985. There is a document you have testified about in which North was establishing a contact with a professional saboteur. He was clearly attempting to reward countries for providing false end user certificates for $8 million in arms, and I guess the question I want to ask you, given the relationship that ought to exist between the Executive and the Congress, is what did the Congress have to do, what did they have to ask you in order for you to tell them what you actually knew about North's conduct with the Contras?

Mr. McFARLANE. I think, Mr. Nields, if you go on, for example, and read my reply to Mr. Cheney on December 8th or whenever this was, that after having gone through what you did and reading it into the record, Mr. Cheney asked, "Did what he told you of those trips to Iran leave you with the impression that he was no longer complying with those instructions", and I said yes, he clearly did give me that impression.

Mr. NIELDS. He is referring to the discussion about diversion that you had on the tarmac?

Mr. McFARLANE. Whatever he refers to, as a matter of acknowledging my own presumption of his noncompliance with the law as of when I knew it, which is what I think Mr. Cheney is asking here, I did acknowledge that, I think.

Mr. NIELDS. Is your description of Mr. North's conduct an accurate reflection of the documents that you dug out in the summer of 1985?

Mr. McFARLANE. Yes. Those are descriptions of 1985, and then he asks, well, in 1986, when you had the Iran trip, did that trip—not PROF notes, not conversations, "Did that trip lead you to believe that maybe he was no longer complying?" And I said yes.

Mr. NIELDS. I understand, and that had to do, did it not, with the fact that you had just told the committee that North had told you on the tarmac that there had been a diversion of the funds from the Iranian arms sales to the Contras?

Mr. McFARLANE. It isn't clear from the excerpt here.

Mr. NIELDS. In any event, my question to you is this—does your description about the sum total of the documents that you dug out in 1985, that you gave Mr. Cheney in response to his question, accurately reflect what it was that was disclosed in those documents?

Mr. McFARLANE. Well, no, and I have said that, I think, many times in the last 2 days. The response that I gave in 1985 and the responses to the Congress in hearings in 1986 were clearly too categorical on my part.

I did draw a distinction, for which I accept responsibility, between what I believed to be the central concern of the Congress, which was fund-raising, and other activities, which were inconsequential, I thought, and I had misgivings about whether Colonel North was stepping over the line in these areas from advising things like that, but from what I could learn in 1985 on the matter of fund-raising, he wasn't doing that.

Maybe if I had searched deeper, I could have found that out, but I didn't, and I am responsible for that.

Mr. NIELDS. Mr. Chairman, I have no further questions of Mr. McFarlane at this time, but before I conclude that, I would like to move that exhibits 23 through 73 be made a part of the record of these hearings.

Chairman HAMILTON. Is there objection? The Chair hears none. They will be made a part of the record.

[Exhibits 28B through 73 appear at pp. 443 through 758.]

Chairman HAMILTON. The questioning now goes to Mr. Richard Leon, a minority counsel. Mr. Leon?

Mr. LEON. Good afternoon, Mr. McFarlane.

Mr. MCFARLANE. Good afternoon, sir.

Mr. LEON. I believe we met once before. By way of re-introduction, I am the Deputy Chief Minority Counsel, and this is the opportunity that I have on behalf of the minority to question you.

I would like to start off by going back through some of the areas that you have already been questioned on by Mr. Liman and Mr. Nields in an effort to clarify certain points in my own mind and to amplify other points along the way.

I believe you pointed out at the outset of your testimony that you told your aides at the NSC very early on that they were not in any way, shape or form to violate the law, and the law I believe that you had in mind specifically when you directed them was the Boland amendment, is that correct?

Mr. MCFARLANE. That is correct.

Mr. LEON. And I believe the operative words you used were something along the lines of they were not to solicit, encourage, coerce or otherwise broker financial contributions?

Mr. MCFARLANE. Yes.

Mr. LEON. You have testified today and you testified previously, as was just pointed out by Mr. Nields, with respect to your opinion on the Boland amendment, have you not?

Mr. MCFARLANE. Yes.

Mr. LEON. I believe Mr. Nields had you point out that you testified this past December to the HPSCI Committee upon the questioning of Congressman Cheney that the Boland amendment applied to the NSC, is that correct?

Mr. MCFARLANE. That is correct.

Mr. LEON. And that is an opinion that you had formed early on. In fact, if I recall your testimony, that is an opinion that you had formed either contemporaneously with or shortly after adoption of the Boland amendment in October of 1984?

Mr. MCFARLANE. That is correct.

Mr. LEON. Now, let me ask you a few questions with respect to your formation of that opinion, Mr. McFarlane, because you have testified here today that you thought perhaps you had been a little too categorical in some of your answers to Congress on other occasions, in specific your responses to Mr. Hamilton and Mr. Barnes' inquiries.

Let me ask you if perhaps your position as to the applicability of the Boland amendment to the NSC might also be a bit too categorical. For example, you are not a lawyer, are you?

Mr. MCFARLANE. No, sir.

Mr. **Leon**. And have you ever studied the Boland amendment from a constitutional perspective?

Mr. **McFarlane**. No, sir.

Mr. **Leon**. Have you ever read an article analyzing the Boland amendment from a constitutional perspective?

Mr. **McFarlane**. No, sir.

Mr. **Leon**. Was there anybody on your staff at the NSC that you turned to at the time the Boland amendment was adopted to give you an analysis of the Boland amendment from the point of view of its applicability to the NSC?

Mr. **McFarlane**. No.

Mr. **Leon**. At the time, Mr. Thompson was on your staff?

Mr. **McFarlane**. Yes.

Mr. **Leon**. He was a lawyer?

Mr. **McFarlane**. Yes.

Mr. **Leon**. Do you know if he was trained in constitutional law or an expert in that area?

Mr. **McFarlane**. I don't believe so.

Mr. **Leon**. At that time, in October of 1984, I believe Fred Fielding was counsel to the President, was he not?

Mr. **McFarlane**. Yes.

Mr. **Leon**. Did either you or Mr. Thompson on your behalf ask Mr. Fielding to give you a legal evaluation of the applicability of Boland to the NSC?

Mr. **McFarlane**. No, I didn't.

Mr. **Leon**. To this date—between that point in time and your leaving your post as NSC Director to the President—did you at any time request from the White House counsel a legal opinion either in writing or orally evaluating Boland's applicability to the NSC?

Mr. **McFarlane**. No.

Mr. **Leon**. Did you ever make a request of that nature to the Department of Justice, its Office of Legal Counsel, to give you that kind of appraisal?

Mr. **McFarlane**. No, I didn't.

Mr. **Leon**. Are you aware that there are differences of opinion on legal scholars as to the applicability of the Boland amendment to the NSC?

Mr. **McFarlane**. Yes.

Mr. **Leon**. Have you ever heard those articulated?

Mr. **McFarlane**. Yes.

Mr. **Leon**. Is it your position today that you disagree with the position of those who argue that it doesn't apply to the NSC?

Mr. **McFarlane**. Mr. Leon, this is a very curious exchange. Here you are trying to be helpful to me, I can see, but as a practical matter I have just answered 20 questions in the negative and the average viewer assumes that anybody who says no that many times in a row must be evil.

In fact——

Mr. **Leon**. There is no intention to make you look evil.

Mr. **McFarlane**. I apologize. I don't mean to be silly. I accepted that the law applied to the NSC and that we must obey it, because I think in good faith when you deal with the Congress you must reach conclusions based upon your own personal dialogue with people who have written the legislation. And if you know because you have been told by Dante Fascell, "[expletive deleted] it, don't raise money," you better not raise money.

Mr. **Leon**. Fair enough. I just want to make sure that your opinion as to the applicability wasn't too categorical.

Now, you testified earlier, I believe, that there was no plan on the part of yourself and your NSC staff with respect to soliciting funds from the—any third party country; is that correct?

Mr. **McFarlane**. Yes, sir, that is correct.

Mr. **Leon**. Do you have any recollection, Mr. McFarlane, of anybody in your staff submitting to you proposals with an eye toward the possibility of approaching third party countries early after Boland was adopted, proposals with an eye towards approaching them for funds to assist the Contras?

Mr. **McFarlane**. I think so, yes.

Mr. **Leon**. Do you recall if Colonel North was one of the people who made such suggestions?

Mr. **McFarlane**. It is likely, yes.

Mr. **Leon**. All right.

And do you recall if those proposals included within them suggestions by Colonel North and others on your staff that Congress be approached with respect to the advisability of approaching third countries for support, and in addition to that, Congress be consulted ahead of time as to the advisability of approaching third countries for support to the Contras?

Mr. **McFarlane**. Yes. I had thought of that.

Mr. **Leon**. Could you tell us what your opinion was, then, as to those proposals and, in specific, going to Congress to assist in that regard, and if you ultimately decided against it, why you did?

Mr. **McFarlane**. As I recall, it struck me that before any initiative were taken toward a third country, yes, that you ought to have some kind of legitimizing contact with the Congress made, but it also struck me that the sentiment of the Congress on that score was pretty clear just in what Don Fortier and I had heard in talking to members, that I felt I had really done that, and I did know that the Congress preferred we not do that.

Mr. **Leon**. So, if I understand you, it sounds like you are saying your feeling at that time was that it would probably be a hopeless case if you went to Congress to ask for their advice and their endorsement of the idea of going to third countries?

Mr. **McFarlane**. Yes.

Mr. **Leon**. At that point in early 1985, of course, you had already at that point received through a third country—which has been defined here as Country Two, I believe—you had already received a sum of money to the tune of a million dollars a month, had you not, for the Contras?

Mr. **McFarlane**. That is correct.

Mr. **Leon**. I believe your testimony was that you technically did not believe you had solicited that money from that country?

Mr. **McFarlane**. I hadn't.

Mr. **Leon**. However, I believe you also testified that you thought that country clearly understood or got the impression that that was hoped for, certainly?

Mr. **McFarlane**. Yes.

Mr. LEON. Now, in light of that analysis of your own conduct in that respect, did you feel after the Boland amendment was adopted some six or seven months later that that kind of conduct on your part was not within its boundaries for the future?

Mr. MCFARLANE. I did, yes.

Mr. LEON. Let me ask you this. Before you broached that subject with the emissary from Country Two in 1984 in your discussion with him about the problems around the world and the various parts of the world—before you broached it with him, had you discussed with the President the prospect of bringing this issue to light with that person in such a way that they might get the idea that it would be nice to receive some contribution?

Mr. MCFARLANE. No, I hadn't.

Mr. LEON. How about with the President's then-Chief of Staff, Mr. Baker? This would have been in the spring of 1984, roughly.

Mr. MCFARLANE. In the spring of 1984 I think it is likely, because Mr. Baker chaired the Interdepartmental Group that developed legislative strategy, yes.

Mr. LEON. Do you recall—if you do recall discussing it with him before you spoke with the emissary of Country Two, do you recall discussing with him the potential risks in the form of quid pro quos that might be perceived by this country if they got the message and felt pressured to contribute?

Mr. MCFARLANE. I think that is likely, yes.

Mr. LEON. Do you recall discussing it besides with Mr. Baker, with anybody else on the White House, high levels of the White House staff? For example, Mr. Fielding?

Mr. MCFARLANE. Not that I recall. I do think it is more likely that just Mr. Baker and people in the group there.

Mr. LEON. Mr. Meese?

Mr. MCFARLANE. That is possible, yes. He normally came to those meetings.

Mr. LEON. Would you have any written notes or any kind of documents that might recall that kind of discussion, that kind of a meeting, do you think?

Mr. MCFARLANE. It is possible. I haven't had any access to my own files and I often did make notes at meetings like that and put them in what Wilma called a sensitive chronology each day.

Mr. LEON. Do you recall, after meeting with the representative, of debriefing Mr. Baker or anyone else on the White House staff with respect to how it went?

Mr. MCFARLANE. I don't have any clear recollection of that but I do believe, because it was—because he was the Chief of Staff, and I told him everything, that it was likely that I did tell him that the problem was solved. I may not have given him all of the details of it.

Mr. LEON. Did you debrief the President as to how that went?

Mr. MCFARLANE. Yes, I did.

Mr. LEON. What was the President's reaction?

Mr. MCFARLANE. The President was pleased and grateful and——

Mr. LEON. This was before you knew that they were going to make a decision to give money, wasn't it?

Mr. **McFarlane**. Well, no. I told the President after they had made that decision.

Mr. **Leon**. When you told the President I believe your testimony was that you told him in the form of a three by five card that you slipped into his briefing book?

Mr. **McFarlane**. I believe so.

Mr. **Leon**. Was it after that that you discussed with the President that gift by Country Two?

Mr. **McFarlane**. Well, I think I probably don't distinguish quite well enough between the first and second time. It seems to me that on one of those occasions it was a face to face encounter with the President and I recall his reaction as being one of gratitude and afterward, I recall this note that I retrieved, but didn't get it from him personally, as handwritten, good news or something like that. And I couldn't tell you which method was pursued.

Mr. **Leon**. Focusing on the first incident, I believe you testified, you told the Vice President in person after you had passed the note to the President and that you had told Admiral Poindexter, your deputy, in person I believe was your testimony——

Mr. **McFarlane**. Yes.

Mr. **Leon**. And, of course you told Mr. North at some point?

Mr. **McFarlane**. Yes.

Mr. **Leon**. And the Secretaries of State and Defense at a luncheon?

Mr. **McFarlane**. Of the fact of the resolution of the problem, yes.

Mr. **Leon**. Why did you have to slip the note to the President as opposed to telling him in person?

Mr. **McFarlane**. It may be that I did that simply—it was expeditious. I normally would go into the President and have a number of things to talk to him about and if I could do anything without having to spend time talking at the meeting, I would put it in the book. More likely, I think it was for the privacy that the book afforded, and I wasn't certain because I couldn't always be sure who would come to that meeting, and there was an interest in minimizing the circle of awareness of that contribution.

Mr. **Leon**. It wasn't because you thought there was anything wrong in your approaching that country or receiving that contribution?

Mr. **McFarlane**. Not at all.

Mr. **Leon**. That was before Boland amendment was enacted?

Mr. **McFarlane**. That is correct.

Mr. **Leon**. With regard to the second meeting and the second donation from Country Two, in the spring of 1985, I believe your testimony was that prior to the visit of the head of state, you met with that country's representative. And you were going through the various issues that might arise when that country visited with the President. And it was during that that you briefed him on the Contra problem and again did not solicit money from him but stated that it was your impression he appreciated that you were hoping for a contribution, is that about it?

Mr. **McFarlane**. I don't challenge that and I accept that and will let it lie. I don't believe I even did that, but I will take responsibility for it.

Mr. LEON. I would prefer that you characterized it as you recall it.

Mr. McFARLANE. Well, I just don't remember it that way. I do remember a number of meetings with him to arrange for the visit and I do know that as a practical matter, anyone who read the newspapers was conscious that we were unlikely to get support for the Contras and I do know that I learned after the visit that there was to be a doubling of the contribution.

I think it is a distinction without a difference. I in fact was hopeful that it would happen and it did happen, and I learned that it happened, but I take your description as one I will accept.

Mr. LEON. This is the aspect of that arrangement that I want to focus on. At that point Boland had passed just about six months before then roughly?

Mr. McFARLANE. Yes.

Mr. LEON. At that point you had already, according to your testimony, reached a conclusion that Boland applied to the NSC—

Mr. McFARLANE. Yes.

Mr. LEON. That there was a fine line to walk and that you had to be careful with respect to solicitations by anyone on the NSC staff?

Mr. McFARLANE. Yes.

Mr. LEON. Before you met with the representative in anticipation of the head of state visit and before you broached that subject with that representative again almost a year later, did you on this occasion before you did it discuss first with the President the prospect of doing it again?

Mr. McFARLANE. No.

Mr. LEON. How about with the Chief of Staff who at that time was Mr. Regan, I believe.

Mr. McFARLANE. I don't believe so.

Mr. LEON. How about with the counsel to the President, Mr. Fielding?

Mr. McFARLANE. No.

Mr. LEON. How about with any lawyer?

Mr. McFARLANE. No.

Mr. LEON. Did you see that there was a risk involved in making—engaging in that kind of a discussion with that representative of that country after Boland?

Mr. McFARLANE. Yes.

Mr. LEON. Seeing that risk, why were you willing to run it without first consulting with either the President or his counsel?

Mr. McFARLANE. I don't know.

Mr. LEON. I believe you testified——

[Counsel conferring with witness.]

Mr. McFARLANE. I take it that you are implying that there was a purposeful intervention on my part with this foreign representative to engender this and that is clearly not the way it happened, that is the occurrence of a spontaneous discussion of this matter and subsequently—in fact, no discussion at all of what is needed or how much or why or where, what kind of things or things like that, no, that just didn't happen.

Mr. LEON. I think that is important to clarify for the record. Before you met with that representative on that occasion in anticipation of the head of state's visit, you had not consciously determined before going into that meeting that you were going to—as you had in 1984—raise the issue of the Contras and the problem of funding of the Contras in such a way as to imply that a gift would be appreciated?

Mr. **McFarlane**. No.

Mr. **Leon**. It was a spontaneous decision on your part in the course of the meeting?

Mr. **McFarlane**. I may have confused the matter by even introducing greater precision into exactly what happened. Now, I am pretty confident that at the meeting where we were before getting into the visit really going over as we usually did our calendar of items around the world—now, it is very likely, although I don't think so, but I will accept that in that tour de raison we would have covered Central America and gone on to other things.

It wasn't a matter of special pleading, stress, underscoring, statement of, "and by the way", "we must have" or "surely would appreciate" or "I can't ask you, but"—no winks, head fakes or anything else—but that conversation then led to us getting on to the visit and it never came up again until after the visit when I learned of their decision to the double.

Mr. **Leon**. As I recall your testimony, when you first learned of that country's decision to give more money and double its contribution from the prior year, when you first learned of that, my understanding of your testimony is you were the first to learn that; is that correct?

Mr. **McFarlane**. That is likely, I think, yes.

Mr. **Leon**. Before accepting it from that country, in light of the risks that Boland might present, did you decide to find out from anybody in the administration as to whether or not it should be accepted before first assessing the legal consequences of accepting it?

Mr. **McFarlane**. No. At the time to me it did seem to be a clear case of a voluntary chipping in, of a donation by this party.

Mr. **Leon**. So you didn't see—you didn't perceive any legal problem with respect to accepting the gift at that time?

Mr. **McFarlane**. No, I didn't.

Mr. **Leon**. Even in light of your understanding of Boland——

Mr. **McFarlane**. That is right.

Mr. **Leon**. Involvement potentially in this money being generated?

Mr. **McFarlane**. That is right.

Mr. **Leon**. And you informed the President with regard to that second gift again in writing in the note to his book?

Mr. **McFarlane**. Yes, I believe so.

Mr. **Leon**. Now, on that occasion, was there a reason you informed him in that manner in any way because you were concerned about the legality of your conduct vis-a-vis that contribution?

Mr. **McFarlane**. Not at all. I informed him because I had no way of knowing whether he knew about it or not. I had no reason for knowing whether it came up in the conversation that he had had, and apparently, there may have been some ambiguity in what I said yesterday on that score.

I didn't intend to imply that in that meeting the President raised this issue with the Head of State of the other government. I know for a fact he did not.

Mr. LEON. OK. How is it that you know for a fact he did not?

Mr. MCFARLANE. Because I had occasion to check on this when I was asked about it six weeks ago during these investigative proceedings, and all I knew or my basis for knowing was the debrief I got at the end of the meeting from the President, in which he made no mention of this subject having come up, and so, based on that, my own opinion was he did not.

But I didn't know whether there might have been something else in his diary, and I was informed that there was by a senior White House official, but that it had not been raised by the President.

Mr. LEON. OK, fine.

I would like to move to another area of inquiry, Mr. McFarlane. That relates to the Congressional inquiries that Mr. Nields and Mr. Liman have questioned you about already.

Mr. MCFARLANE. Yes?

Mr. LEON. I have just a few questions in that regard.

You testified at length that when you returned after the documents were pulled with regard to Mr. North and Mr. North's involvement, and you received them from Mr. Thompson, that you sat down and reviewed them yourself personally.

Mr. MCFARLANE. Yes.

Mr. LEON. And upon reviewing them, you noted sensitive documents, troublesome documents.

Mr. MCFARLANE. Yes.

Mr. LEON. And apparently, Mr. Thompson had also indicated to you that he saw some documents that he believed were sensitive.

Mr. MCFARLANE. Yes.

Mr. LEON. OK. And it was based upon your evaluation of the sensitivity of those documents and your discussions with Mr. Thompson relating thereto and your own understanding of Boland that you called Mr. North in and questioned him with regard to the contents of certain portions of these documents, right?

Mr. MCFARLANE. That is right.

Mr. LEON. Now, I believe you have also testified that at a later point, after you had resolved in your own mind how to respond in writing, the issue arose with respect to turning over some of these documents to Chairman Barnes. And at that point, Fred Fielding, the White House Counsel, was approached as to how those should be made available to Congressman Barnes?

Mr. MCFARLANE. Yes.

Mr. LEON. And of course, he rendered an opinion as to the various options, correct?

Mr. MCFARLANE. Yes.

Mr. LEON. My question is this: Why is it that when you and Commander Thompson, who, by your own admission, you don't believe to be a constitutional law scholar, saw what you believed to be troublesome documents, you didn't go to Mr. Fielding, the Counsel to the President at that point, or to the President himself or his Chief of Staff, and alert them of what you considered to be possible problems, and get their opinions as to how to handle them?

Mr. McFarlane. Well, first of all, I did take everything that I had to Mr. Fielding and I took with me the draft letters to Mr. Barnes and the documents that related to it and summarized for him the basic issue and history of it. But I don't want to mislead; I think that I really was looking for advice on congressional relations as it related to Executive privilege and——

Mr. Leon. You didn't ask Mr. Fielding for a legal opinion as to the potential Boland problems with regard to those six documents you had identified as troublesome?

Mr. McFarlane. No, not per se. No.

Mr. Leon. In any way?

Mr. McFarlane. No.

Mr. Leon. OK.

Now, I direct your attention to exhibit 40, which I believe is the list of documents that you wrote out as being troublesome. Can you recall if either you or Mr. Thompson or anybody in your behalf pointed this list of troublesome documents out to Mr. Fielding?

[The exhibit appears at p. 545.]

Mr. McFarlane. I don't know.

Mr. Leon. You don't know. Do you have any reason to think that they did?

Mr. McFarlane. No.

Mr. Leon. Well, with regard to the troublesome documents themselves, I believe you just testified that your recollection is they were contained within the documents that you brought to Mr. Fielding at the time you sought his advice on how to make them available to Congressman Barnes.

Mr. McFarlane. Yes.

Mr. Leon. Did either you or Mr. Thompson or anyone on either of your behalfs at that time segregate those troublesome documents out to Mr. Fielding and alert him of what you perceived to be the problem there?

Mr. McFarlane. I doubt it. I say it that way because each night at the conclusion of reviewing them, I returned them to the custody of Mr. Thompson and he put them in his safe in the office, and they came back to me each day but they were a self-contained package that didn't change from day to day as far as I know.

Mr. Leon. Is it safe to say that as you viewed those troublesome documents at that point, that you saw within them a potential violation in them, potential, and perhaps a potential political problem if their contents was made available to Congress?

Mr. McFarlane. I think I have testified to that. I would say it was a cursory legal opinion from Commander Thompson that I would not hold them to account for more than that. It was given on the spot.

His subsequent memorandum to me reinforced it, but even then I would not have said that was a final legal judgment on this, although it said that these are not subject to turnover. But I do believe that, yes, there were in those documents the potential for great embarrassment, certainly misunderstanding at a minimum, and very likely a test of wills between the Congress and the Presidency.

Mr. Leon. You had not brought it to the attention of the President, obviously.

Mr. McFARLANE. No, I brought it to Mr. Fielding's attention, and actually the fact of a congressional interest, I probably did comment on it to the President because any time the NSC was party to a headline in a newspaper, it was my obligation to explain what the circumstances were, so I am sure that I did.

Mr. LEON. But you didn't make it clear to Mr. Fielding, if I understand you right, that these six documents were a potential problem with the Boland amendment and had to be looked into and might explode in terms of violation of the law or a political problem?

Mr. McFARLANE. I probably didn't, but I don't want to obfuscate. I did tell Mr. Fielding that within this request, that there are indeed documents which are extremely troubling in terms of interpretation of law.

Mr. LEON. What was his response?

Mr. McFARLANE. Well, he heard me out on the summary of the problem and of the history and of the options for apparently dealing with it, and said he would get back to me. And he did.

Mr. LEON. Did he render a legal opinion with regard to those documents?

Mr. McFARLANE. No.

Mr. LEON. Did you expect one?

Mr. McFARLANE. Not really, no.

Chairman HAMILTON. Mr. Leon, excuse me for interrupting. Would this be an appropriate place to take our break?

Mr. LEON. I think it would.

Chairman HAMILTON. The committee will stand in recess for about 10 minutes.

[Recess.]

Chairman HAMILTON. While we are waiting for our witness to reappear, I might say to our members that I am informed by Mr. Leon that he has about another 20 or 30 minutes of questions. He will do his best to keep it down, and then we will go to Senator Sarbanes.

I am not sure we will get beyond Senator Sarbanes today. If we do, we go to Congressman Boland. We will try to conclude around 5:00 o'clock, after Senator Sarbanes has finished his questioning.

We didn't mean to rush you, Mr. McFarlane. You can appreciate we are under some time constraints and trying to push forward here.

Mr. Leon, you may proceed.

Mr. LEON. Thank you, Mr. Chairman.

One last point with regard to the area of third party solicitation, Mr. McFarlane, before I move into something else.

I believe it was your testimony that some time shortly after or approximate to this second gift, you made a decision on a policy basis that voluntary gifts from third party countries was not the best way to go and that we should curtail solicitations along those lines.

Mr. McFARLANE. Yes.

Mr. LEON. Did you communicate that decision on your part to the President?

Mr. McFARLANE. I don't think it was that precise. I did talk to the President about what I believed was essential to sustain support for the policy in the Congress, and that was a very public, very visible taking of the policy out of the closet and a vigorous promotional effort that was an overt program.

Mr. LEON. Would it be your testimony that you believed that, essentially, you made it clear to the President that you didn't think it was in the best interests of the Contra program to be continuing to obtain monies from third party countries in that way?

Mr. McFARLANE. Yes, I think—I think, to be fair, the President deserves credit, because he didn't, either. He wanted this program to be one that was American-funded and supported without any other involvement.

Mr. LEON. Do you recall when you discussed it with the President if anyone else was present?

Mr. McFARLANE. Usually in those discussions they occurred at the morning meetings, at which Mr. Meese, Baker, and Deaver in 1984—Mr. Regan would have been in 1985—as well as the Vice President and my deputy.

Mr. LEON. Now, I believe you also noted in your testimony that some point after that it came to your attention that Oliver North had directed or encouraged Gaston Sigur to approach a couple of countries to obtain funding from those countries for the Contras.

Mr. McFARLANE. Yes. This was about, I think, if I recall, 4 or 5 months after I left government.

Mr. LEON. When you learned that your aid had, in essence, countermanded your policy which you had communicated with the President, were you upset?

Mr. McFARLANE. Well, I was worried. I think that that is terribly self-serving on my part, though. You see, I was worried about a lot of things.

I think anybody could see the deterioration in the ability of the administration to promote the policies. We were losing money out of the defense budget, the arms control community was in something of a paralysis, and one after one of the President's important priorities were being undermined. And it seemed to me that it was likely for it to happen in his one, too.

But all of that said, I didn't do anything about it—I was outside of government—to the extent that I could.

Mr. LEON. Did you ever at any time sit North down and say, "You shouldn't be doing this," in essence?

Mr. McFARLANE. No.

Mr. LEON. Let me shift gears with you to the Hawks shipment and the events relating to the Hawks shipment in late 1985.

Mr. McFARLANE. Yes.

Mr. LEON. Just a couple of quick questions in that area. First of all, I believe your testimony earlier today in response to Mr. Nields' question, was that you had reached the conclusion prior to or very shortly after you had arrived in Geneva, that it was a Hawks for hostages transaction?

Mr. McFARLANE. Yes.

Mr. LEON. I believe you have also testified that when you met Mr. Ghorbanifar just a matter of weeks later, 3 or 4 weeks later, over in London, that you were personally repulsed by not only him but by his attitude and the idea of exchanging hostages for a certain number of Tow missiles or certain types of weapons. Is that right?

Mr. McFarlane. Yes.

Mr. Leon. How is it that your attitude changed that dramatically, in only 6 weeks, between being willing to proceed on a Hawks for hostages basis on the one hand, and on the other hand, 6 weeks later being repulsed by someone suggesting the very type of deal for the future?

Mr. McFarlane. Well, at the time that I met with the Israeli Defense Minister my attention was absorbed almost entirely by preparations for the summit. It did seem to me from the original shipment of TOWs that the whole enterprise had lapsed into a very narrow exchange and I had it in the back of my mind that this is one of the things that we have got to get back on top of as soon as the summit is over.

I had not been party to the negotiations that Israel as conducting. I don't say that pejoratively, but I simply wasn't up to speed on how they had been directing the negotiations. But when I found out that is when I came to the conclusion that this is not going to work and I think as soon as I did find out, that is when I decided and urged the President to discontinue it.

Mr. Leon. When you were asked to assist by Admiral Poindexter in May of 1986, the efforts in Teheran and the hostages and the shipments related thereto, did you have reason to think at that time that it would be an arms for hostages transaction?

Mr. McFarlane. Well, it was presented as kind of a turning of a page to a new purpose in the United States-Iran relationship. When I left the government, it was well known within the government how I felt about it. And administratively Admiral Poindexter said, well, I know how you feel about the arms business, but assuming that we get it past the arms point to the matter of getting our hostages back and the arms are out of the equation, at that point are you willing to help in the political discourse? And I said yes, under those terms, I would.

In April when he contacted me, he said we have been negotiating for hostages, it has involved arms. We think we are close to an agreement and ultimately he said, yes, we do have an agreement. That they, we believe, will release the people coincident with the delivery of another arms shipment, but then with that done, we plan to open up this political agenda.

Mr. Leon. Now——

Mr. McFarlane. But I felt—and I don't want to mislead you—I felt then that it had only a low probability because, since they have been diddled for quite a long time before it was likely that they were going to be diddled again.

Mr. Leon. I would like to get back to that point in a minute. I would like to digress just for a second on the December events and then go back to that point about the deal as you understood it in May.

Going back to the December events, with respect to the need for a finding, whose job was it, in your mind, to make sure that if there was a finding needed for the CIA's involvement that it would be drafted and that it be presented to the President?

Mr. McFarlane. Well, it is I think both the Director's responsibility and the National Security Adviser's as kind of an overseer of the functioning of the community.

Mr. Leon. I would ask you to turn to exhibit 65, which you were previously questioned about.

[The exhibit appears at p. 740.]

It is a letter from the DCI, Mr. Casey, memorandum to your deputy, Admiral Poindexter, on November 26, 1985, at a point when you were out of the country, as you testified?

Mr. McFarlane. Yes.

Mr. Leon. And I would ask you to look at the attached copy of the finding which is unsigned?

Mr. McFarlane. Yes.

Mr. Leon. I would like to direct your attention, Mr. McFarlane, to the second paragraph down, not the heading paragraph but the second paragraph down before the scope and description section, and direct your attention to the last phrase, "until such time as I—I mean the President," does it not?

Mr. McFarlane. Yes.

Mr. Leon. —"as I may direct otherwise."

Now, that phrase relates to when Congress would be notified about this finding, doesn't it?

Mr. McFarlane. Yes.

Mr. Leon. And as this proposed finding is drafted, the President would have to make if he adopted this finding, would have to make a later decision specifically as to when to inform Congress, would he not?

Mr. McFarlane. Yes.

Mr. Leon. And, therefore, the burden would be on the President and his delegatees to reach that conclusion?

Mr. McFarlane. Yes.

Mr. Leon. Do you know if that is typical type language to include in findings with respect to congressional notification?

Mr. McFarlane. In my recollection, there is only one other time that I recall that being used.

Mr. Leon. And when is that?

Mr. McFarlane. It would take some time to think about it.

Mr. Leon. Let me caution you that that might be an area that you should not discuss for national security reasons, so let's hold off on answering that.

Mr. McFarlane. Fine.

Mr. Leon. Let me ask you this. With respect to this type of language, could one of the purposes for having this language be to continue to protect the lives of the hostages and to protect the lives of the people who were working behind the scenes to try to get the hostages out?

Mr. McFarlane. Yes.

Mr. Leon. Do you know if that was the specific reasoning that went behind drafting that type of a notification provision as to Congress?

Mr. McFarlane. I have been told that that was Director Casey's thinking.

Mr. Leon. Let me move to the May trip, the trip to Tehran that you made. As I recall your testimony, it was your feeling after the trip you made in December to London that the initiative was dead and that there was no future in it.

Mr. McFarlane. Yes.

Mr. Leon. And as I recall, you testified that you were not in favor of seeing it go further under the circumstances that then existed.

Mr. McFarlane. That is correct.

Mr. Leon. And now a matter of months later you are informed that there is something in the wind and that you are being asked to assist your country in that regard.

Mr. McFarlane. Yes.

Mr. Leon. And I believe you said you were a little surprised initially that that had taken place?

Mr. McFarlane. Yes.

Mr. Leon. Now, at that point when you were asked to go along, you appreciated the risks that were presented to you, didn't you?

Mr. McFarlane. Yes.

Mr. Leon. You were aware of Mr. Buckley's capture?

Mr. McFarlane. Yes.

Mr. Leon. And you were aware, were you not, that he had been tortured?

Mr. McFarlane. Yes.

Mr. Leon. Extensively?

Mr. McFarlane. Yes.

Mr. Leon. You were aware of the transcripts that they were offering us to see with regard to his torturing?

Mr. McFarlane. No. I think perhaps it is useful to draw a distinction between what is going on in Lebanon, albeit by Hizballah elements that identified with Iran and what might occur back in Iran. But I take your basic point, yes.

Mr. Leon. You were being asked—in essence, you were being asked to risk your life, weren't you?

Mr. McFarlane. Well, I don't think I need to engage in false bravado. I went through an analysis of what I believed to be the tradeoffs in the minds of an Iranian leader, were I in his place, and whether or not I would see it in my long-term interest to have a dialogue with the United States at all and I concluded that there are a lot of logical reasons by Western standards why an Iranian leader would.

Mr. Leon. Had there been any advance work done for that trip, to your knowledge?

Mr. McFarlane. And if he thought there would be value in it, how would the value of that dialogue be affected by bringing harm to the interlocutor, and probably it would not make it blossom.

So, it seemed there was a reasonable probability that if there was something to the bona fides of our counterparts that it was unlikely that we were going to be harmed in some fashion, and I took the word of those in the White House at the time that they were confident that the—that those bona fides were sincere.

But, I didn't have any illusions that they might be wrong, and so I made preparations for it.

Mr. Leon. Were you aware that the meeting initially was supposed to be on an island?

Mr. McFARLANE. I have learned since that that was an option, yes.

Mr. LEON. When you arrived in Tehran, were you under an impression that there was a specific deal with regard to certain hostages being released right up front?

Mr. McFARLANE. That is what I was told, yes.

Mr. LEON. Are you aware that General Secord testified last week that that was not his understanding of what the status of the arrangements was between the parties?

Mr. McFARLANE. Yes. I was surprised to hear that.

Mr. LEON. I believe you testified that Admiral Poindexter had given you the impression that your understanding of the deal was the same as his.

Mr. McFARLANE. Yes.

Mr. LEON. Did you learn from Colonel North that he had a different understanding from either you and Poindexter or Secord?

Mr. McFARLANE. No. This came to, or out of the open—at one of the sessions we had with an Iranian official, where I complained about their not having fulfilled their commitments for release of the hostages, and he looked around the room at his own supporters, and obviously assumed he had been misinformed, because he had quite a different understanding of what the agreement had been.

But in talking to my own staff at the time, Colonel North and others, all of them reconfirmed yes, we do expect, and have all along, the complete release of the hostages.

Mr. LEON. You testified that you learned about the diversion for the first time while you were over there.

Mr. McFARLANE. Yes.

Mr. LEON. I believe it was in Israel?

Mr. McFARLANE. Yes.

Mr. LEON. At Ben Gurion Airport, and you have testified that you were shocked to learn about it initially.

Mr. McFARLANE. Yes.

Mr. LEON. But that you assumed that it had been authorized and that North later told you it had been authorized.

Mr. McFARLANE. Yes.

Mr. LEON. And when you met with the President, you did not bring it up as a subject at that time?

Mr. McFARLANE. No.

Mr. LEON. Nor did you bring it up with Mr. Poindexter or Donald Regan?

Mr. McFARLANE. No.

Mr. LEON. Have you seen the memorandum with the diversion reference in it?

Mr. McFARLANE. Yes.

Mr. LEON. Were you aware that that was written only a matter of days before you met with Ollie North in his office at the White House, according to his calendar?

Mr. McFARLANE. No.

Mr. LEON. I believe his calendar reflects that you had a meeting with him on October 9 at his office in the White House. Do you have any recollection of that?

Mr. **McFarlane**. I must be mistaken. I thought the memorandum Colonel North——

Mr. **Leon**. April, excuse me. April 9th, I should say.

Mr. **McFarlane**. It doesn't ring any bells, but it is very possible.

Mr. **Leon**. But you never saw the diversion memorandum at any time?

Mr. **McFarlane**. No, never.

Mr. **Leon**. Let me ask you about a PROF note that is in the Tower Commission Report on page B-165, if I may. On the right-hand side of that page, there is a closing paragraph to a PROF note that you wrote to Admiral Poindexter on October 4, 1986.

If I may read that paragraph, it begins,

> If you think it would be of any value, I might be able to take a couple of months off and work on the problem. No guarantees and no need for any sponsorship except for air fares and hotels, but I might be able to turn something up—think about it.

Was this an offer by you to come back and work as a consultant with the NSC on the second channel, the opening up of the second channel?

Mr. **McFarlane**. I didn't know about the second channel at the time, and I don't know what really inspired that. I have had a long time to think a lot about what has occurred, U.S.-Iranian relations in the past 8 years, and I have talked to a number of Iranian analysts that believe they have some insight into how gradually we can prepare the day when there can be some move from hostility back to normalcy.

It didn't involve any of the kinds of things that were being done at the time, but simply as a statement that perhaps to reorient the strategy might have been of appeal to somebody in the administration, yes.

Mr. **Leon**. Even despite all the problems that had arisen over the course of that prior year with regard to getting the hostages out and opening up other channels with Iran?

Mr. **McFarlane**. Even because of the problems, because it involved this arms-oriented approach, which seemed to me unlikely to produce.

Mr. **Leon**. Let me ask you a few questions on the chronology matters. Mr. Nields spent a fair amount of time with you, and Mr. Liman, talking about the chronologies that were being worked on in November, 1986, and your involvement in it.

I believe in questioning you this morning, Mr. Nields compared various versions of the drafts at various points in time and your own PROF notes.

Mr. **McFarlane**. Yes.

Mr. **Leon**. I believe even at one point you conceded that you had determined that there was some kind of an effort going on by people at the White House to gild, so to speak, the President's involvement and knowledge with respect to the September TOW shipments and the November Hawks shipments, is that right?

Mr. **McFarlane**. Yes.

Mr. **Leon**. What is it in your opinion that they were really trying to hide? I mean with regard to the September shipments, Mr. McFarlane, didn't, in your opinion, the President have the authority legally at that time to authorize the payback to Israel for those weapons that they shipped to Iran?

Mr. McFarlane. Yes.

Mr. Leon. So as to that particular event, what would doctoring the chronology have accomplished in terms of hiding something wrongful or illegal or harmful to the President?

Mr. McFarlane. I don't know. I have heard this year that some may have seen the potential legal exposure on the matter of the authority for the United States to participate as the CIA did in the shipment of the second batch in November of 1985, the Hawks, but I don't know that and it never came up in my hearing at the time.

Mr. Leon. With regard to the Hawks shipment part, the CIA involvement in that and the need for a finding, what was it that you thought they were trying to hide in that regard? The President had authority in your mind, didn't he, to authorize the CIA to assist in that area?

Mr. McFarlane. Yes.

Mr. Leon. Was there not a question in your mind and in others as to whether or not a finding had to be in writing even?

Mr. McFarlane. Yes.

Mr. Leon. So what was it that they were seeking to accomplish in terms of saying anything other than what had actually happened?

Mr. McFarlane. Well, it really wasn't clear to me at all. But there were a number of kind of anomalies about the way that positions to be taken on public matters had been developed over the course of the fall of last year that were kind of curious, I thought, and I don't know, to answer your question.

Mr. Leon. Let me move to a different subject. It is part of the final subject that I would like to go over with you. It bears on two things, first of all your relationship with Colonel North.

You have testified at length that you had worked very closely with Colonel North and known him for a long period of time and that he was a dedicated and, I believe you said, aggressive, devoted soldier; isn't that correct?

Mr. McFarlane. Yes.

Mr. Leon. And I believe you have also stated today at different points that he was also a bit of a dramatist, prone to hyperbole at times, I believe was the way you put it; is that correct?

Mr. McFarlane. Yes.

Mr. Leon. And even a romanticist perhaps on certain occasions with respect to facts and the way he would brief people on subjects?

Mr. McFarlane. Yes.

Mr. Leon. I believe you pointed that out in specific with regard to the memorandum exhibit 35 that Mr. Nields questioned you on regarding end-user certificates and a certain country, and whether or not that country should receive some form of a reward for its efforts in helping the Contras?

[The exhibit appears at p. 492.]

Mr. McFarlane. Yes.

Mr. Leon. By an account, was Mr. North working long hours?

Mr. McFarlane. Yes, always.

Mr. Leon. He was a tireless worker?

Mr. McFarlane. Yes.

Mr. Leon. Is there any question that he had the two major accounts at the NSC, hostages and Central America?

Mr. McFarlane. They would be close to the top with arms control, yes.

Mr. Leon. Would those have been two of the top priorities to the President himself, the release of the hostages and the Contra effort in Central America?

Mr. McFarlane. Yes.

Mr. Leon. He was on the front lines?

Mr. McFarlane. Yes.

Mr. Leon. In the Tower Report, there is reproduced your note to Admiral Poindexter on June 10, 1986, with respect to your perspective on the pressures to North and how you were worried about those, and you wrote Poindexter,

> It seems increasingly clear that the Democratic left is coming after him (North) with a vengeance in an election year and that eventually they will get him, and too many people are talking to reports from the donor community and within the administration. I don't know what you do about it, but in Ollie's interest, I would get him transferred or sent to Bethesda for a disability review board. Apparently the Marine Corps has already tried to survey him once and that would represent a major loss to the staff and the Contra effort, but I think we can probably find a way to continue to do these things. In the end it may be better anyway.

You wrote that, didn't you?

Mr. McFarlane. Yes.

Mr. Leon. And you have testified to it previously, that you saw a need for him to get a break. He was spread too thin, in essence.

Mr. McFarlane. Yes.

Mr. Leon. Let me ask you a few questions with regard to his role vis-a-vis you when you were supervising him at NSC.

In light of the strains he was under and in light of the personality he had, you had given him a mission to win the vote on the Contras in the future and to do it by establishing the bona fides of political leaders in the Contras and the military credibility of the Contra movement down there; is that correct?

Mr. McFarlane. That is correct.

Mr. Leon. And you placed a limit on him to stay within the law and not to associate with funding; is that correct?

Mr. McFarlane. Yes.

Mr. Leon. Despite that, there were repeated examples that you have acknowledged in your testimony of North acting out of control, examples that raised troublesome problems to you in the form of memoranda and reports you have received.

I believe you testified to the ship seizure being a problem, exhibit 33, and the memo about the end user certificates, exhibit 35, a memo involving Gaston Sigur and the shipment of arms through Canada.

[The exhibits appear at pp. 471 and 492.]

Why was it that you didn't rein him in, that you didn't take him under control more?

Mr. McFarlane. Well, I think, Mr. Leon, that the belief that Colonel North was acting within the restrictions of foremost concern to the Congress, on not raising money, which I believe, and in the knowledge that when he had an idea which came close to the line of legality, propriety, he had always brought it to me and I had been able to say yes or no, that I had confidence that that would continue to be the relationship.

I am afraid that in the past two days that Ollie is really getting a bum rap which appears to be endorsed from me, and I don't intend that.

I think Colonel North is a man of immense devotion to the preservation of human life. That sounds like a platitude, but it isn't at all. He is a person of very deep and profound conviction, belief in God, who relies on his conscience, as all of us do, but one that is formed in scholarly pursuit of scriptures and passionate in its extreme energy.

He is quite cynical about government. Ollie is a man that is a veteran of an experience in Vietnam, of which I was very conscious, and I think not uncommon to the experience of many people—that is a situation that anyone who exposes himself to the loss of life, his own, has to deal, and that is, is it worth it?

And for him it was an easy determination that, yes, it was, because there were enough daily shows of evidence by Vietnamese people, young and old, children, others, of their satisfaction that he was there. And yet, that personal justification was in very sharp tension with the reality that we were losing.

Now, in the wake of his service there, having to cope with the vivid reminders of how worth it it was and how tragic a loss of life of Vietnamese—tens of thousands occurred from it—I believe that he committed himself to assuring that he would never be party to such a thing again if he could prevent it.

And I think for him, when it became a matter of association with the Contra movement, that it was again a circumstance where we had made a commitment to people, that he could see we were just about to break, and that the bottom line consequence of that would be the death of a lot of people, Contras, and that he couldn't be party to that.

Now, there are simple kinds of platitudinous judgments that I could give for you that would give me the basis for thinking that, the mention here and there that losing a way in Vietnam was a matter that was done extremely legally and that he didn't see the justification for how we could again be party to the same thing.

In my own case, I shared some of those feelings, that it seemed to me that if at the end of the day your country has the opportunity in the United States to do one or two things, that you should choose those things which you can do, which you can get support for, and go ahead and lend U.S. influence to them, and however much I and others might regret not being able to help deserving people, that it is more of a service to them never to get started with it than to falsely lead them on.

Well, I think that this is an issue which is not going to be settled by this hearing, but can not be forgotten after this hearing, because it is very clear that the Soviet Union can see that the tactic of supporting the overthrow of pro-Western governments works, and the string of successes in the late 1970s are witness to that fact.

And so, we must find a way to get out from under relying on the support of a covert movement to do it. But we can not say that by not supporting covert movements the problem is going to go away, for it won't.

But I think Mr. North acted not out of a motive of self-gain but out of a very human commitment to the preservation of life, and I don't intend that verbosity to say that an officer can do that, however well-meaning, beyond the limit of law. They can not.

Mr. **Leon**. Thank you, Mr. McFarlane.

I have no further questions, Mr. Chairman.

Chairman **Hamilton**. We turn now to questions by Senators and Representatives. The principal questioners will be Senator Sarbanes, Representative Boland, Senator McClure and Representative Courter, in that order, and we begin now with Senator Sarbanes.

Mr. **Sarbanes**. Thank you, Mr. Chairman.

Mr. McFarlane, I want to broaden out the inquiry to talk a bit about how was policy made and who was making it in a broader sense. You came into the administration at its outset as counselor at the State Department, and then came over to the National Security Council with Judge Clark, when he came to be the Adviser, and I think you came to be the Deputy, is that correct?

Mr. **McFarlane**. That is correct.

Mr. **Sarbanes**. And then you succeeded him as the National Security Adviser in October of 1983 and served in that post for a little more than 2 years, when you then resigned?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. Would you take a few minutes just to tell us how policy was being made or not being made, as the case may be, in the administration? I mean, you were at a focal point there as National Security Adviser and as Deputy Adviser. What was going on in terms of how we made foreign and security policy? How was it being done?

Mr. **McFarlane**. Sir, the process was basically the same process that has been used by Democratic and Republic administrations. That is that the business of governing is set in motion in foreign affairs by the President stating what he wants to a chief in each particular regional and functional area of the world and the way that that is expressed is for the National Security Council staff to issue to the community—the community being the State Department, Defense, CIA, the Joint Chiefs, Treasury—usually a written statement that here are the President's goals on, let's say, East-West relations or Latin America, or Asia or trade policy, or nonproliferation, and then perhaps a hundred different written pieces of paper.

Those goals are set out in instructions that invites those departments to then analyze those goals and our means for achieving them and after 6 weeks or 2 months—as long as it takes—bring back to the President the options to include what political and diplomatic steps, what economic assistance programs or laws or trade policy, what military use of force if proper, should go to that integrated policy for governing and achieving those goals.

The President and his Cabinet officers gather, review those proposals, the President picks which policy or blend of policies he wants to pursue, and then that decision, which really is the statement of the United States policy toward X, W, and Z, is published in this administration as a national security decision directive.

The differences in this administration and past are minor in terms of the wiring diagram, but they are that in this administration the department that oversees that process of bringing experts together and of forming these options is the State Department, and with the single exception of arms control, where the authority is managed by the National Security Council staff, that is basically how it is intended to work.

And there are NSDDs that are on the books, which—more than 200 now, I think—that set out what the policy is in these several areas.

Mr. **Sarbanes**. You have recently given a newspaper interview which says that you offered a devastating portrayal of the Reagan administration's foreign policy apparatus:

> Mr. McFarlane painted a picture of feuding Cabinet officials, notably the Secretary of State Shultz and Defense Secretary Weinberger, and a policy making process beset by drift, paralysis and bureaucratic gridlock across nearly the full range of foreign policy issues . . .,

and you attribute your frustration with this in part for your resignation.

"The frustration at having to conform to the Cabinet government under circumstances in which the Cabinet was in unalterable disagreement suggested to me that perhaps someone else could overcome that, but I couldn't", he said.

Now, as we focus on the broader lessons out of this situation, was there in fact a policy making process that was gridlocked by this drift and paralysis? What are instances of that?

Mr. **McFarlane**. Mr. Sarbanes, I think that that is a fair description. I should stress that I do not believe that it is a fair comment about the President's personal view of his own responsibilities in foreign affairs which is one that is very open to and solicitous of ways in which U.S. influence out to be brought to bear to make the world a better place and and he is extremely well meaning in that regard.

If you will indulge me for a moment, I think probably this is the best question that anyone could focus on and I would like to do so. It seems to me that in our country Americans are foremostly concerned about domestic issues.

We don't need to discuss why, but it is true. Oceans, boundaries, and thus far not sufficient economic influence but didn't have foreign trade or reliance on foreign resources to really cause Americans to care very much about what goes on overseas.

As a consequence, their ability to choose people, whether in the House, the Senate, the Presidency, who will be foremostly experts in foreign policy is unlikely to happen. The problem can be improved or solved in part by looking at basic education. That is not to say that if Americans were foreign policy experts they would approve of the Iran initiative, I don't think they would, but my point is that because in our own school system, primary and secondary, there really isn't very much attention given to comparative politics, history of other countries, cultural traditions and as a result Americans, generation after generation, grow up concerned about America, understandably, but in the late Twentieth Century there is a far greater need to be concerned within the government on entities that happen outside our shores.

Not long ago Mr. Krauthammer had an article in New Republic, I believe, that made the theme that we are a super power that doesn't want to be one and his point was that a President must govern, must try to influence the Soviet Union, but try to get hostages back in Lebanon, relying for support upon a body politic of Americans who are pretty indifferent to the whole thing, so if he must be elected by attitudes which are not responsive to how he influences Russians or things like that, he is going to be more attentive to the domestic concerns than the foreign and it won't change I think until our basic educational approach is altered very fundamentally or perhaps as the political parties begin to take a larger role in asserting what the qualifications ought to be for people running for office.

I think, however, that there are a number of people that are doing some very useful work—Lloyd Cutler, for example, is doing some very sensible work on how we could make our process of government more functional, make it possible for the President to consult with the Congress and have that be a process that will lead to constructive outcomes.

If today the President seeks to deal with the leadership of the Congress he may find that whatever the leadership's attitude is, that they may not be able to carry the other members of their party and that until the leadership of the party is restored to controlling the purse strings over elections and things like that, there is unlikely to be enough discipline in the party to make possible real consultation between the Presidency and the Congress.

I am sorry to be digressive on these other themes, but these institutional reforms I think ought to be seriously considered if not by this committee, others, for until they are, I think it unlikely that the President will see as he should the merit in consulting the Congress for to do so doesn't seem to alter the process or the outcome?

Mr. **SARBANES**. Well, let me bring you back to the policymaking in the administration. As I understand it, according to what you have testified to, the Secretary of State was the lead—the State Department was the lead agency for framing the foreign policy issues with the exception of arms control, which at some point was shifted to the National Security Council; is that correct?

Mr. **MCFARLANE**. Yes.

Mr. **SARBANES**. Now, pursuing that a bit, when Country Two made a further commitment, undertaking to provide money for the Contra cause, and you knew about that, but as I understand it, you did not tell the Secretary of State; is that correct?

Mr. **MCFARLANE**. No.

Mr. **SARBANES**. Did the President approve of your not telling the Secretary of State?

Mr. **MCFARLANE**. I don't believe he commented upon it. He may not have known that.

Mr. **SARBANES**. He was unaware that the Secretary of State did not know, did not know about this further commitment?

Mr. **MCFARLANE**. I don't know, Senator Sarbanes. I am trying to think whether I told him either of who did or who didn't, and I am not certain. It is possible that I said, "Only you and the Vice President are witnesses of this." I don't know.

Mr. SARBANES. Now, Colonel North sent a message to Admiral Poindexter, it is exhibit 46C. It might be easier to read it, if you look at page B124 in the Tower report. I think it will be clearer.

[The exhibit appears at p. 623.]

Mr. GARMENT. Senator Sarbanes, what page?

Mr. SARBANES. B124.

About halfway down the first column, he says, "I have no idea what Shultz knows or doesn't know, but he could prove to be very unhappy if he learns of these other countries' aid that has been given in the past from someone other than you."

Did RCM, McFarlane, ever tell Shultz? Then, over on the next column, near the top, he says,

> Meanwhile, I would recommend that you and RCM, which would be McFarlane, have a talk about how much Secretary Shultz does or does not know about third-country assistance approaches, so that we don't make any mistakes.

And he concludes that paragraph by saying, "At this point, I am not sure who on our side knows what. Help." End of quote.

Now, I think one would be crying for help under those circumstances. And the question is, I guess, what kind of foreign policy-making is it when the lead officer charged with making the decisions is kept in the dark on a matter of this importance?

Mr. MCFARLANE. Well, I think that he should know.

Mr. SARBANES. Why was he not told?

Mr. MCFARLANE. I am guessing that it was probably out of concern for the further dissemination and compromise of that relationship, and damage and embarrassment, but I don't think there is any justification for it.

Mr. SARBANES. Well, now, the Secretary of Defense and the Chairman of the Joint Chiefs knew, did they not?

Mr. MCFARLANE. Yes.

Mr. SARBANES. And yet, the Secretary of State was kept in the dark. When did he finally find out about this?

Mr. MCFARLANE. I believe very shortly after this time, whenever it is, that I told him.

Mr. SARBANES. June 10, 1986 was the date of this message, so, very shortly after that?

Mr. MCFARLANE. Within a day or so, I think.

Mr. SARBANES. On page B96 of the Tower Report——

Mr. MCFARLANE. B?

Mr. SARBANES. Ninety-six. These are again messages from North to Poindexter, and in the first column, North says at one point,

> I have no idea what Don Regan does or does not know, re, my private U.S. operation. But the President obviously knows why he has been meeting with several select people to thank them for their support for democracy in Central America.

Then in another—it continues on in another PROF note. You have the following statement: "Don Regan knows very little of your operation and that is just as well." This is from Poindexter to North.

Regan at that point was, what, Chief of Staff?

Mr. MCFARLANE. Yes, sir.

Mr. SARBANES. When North suggested that before departing for Tehran, he and Poindexter have a quiet meeting with the President and McFarlane without papers, and that Poindexter might want to include the Secretaries of State and Defense, and the Director of Central Intelligence, Poindexter responded negatively, "I don't want a meeting with R.R."—being the President—"Shultz, and Weinberger."

Now, this was a tribute—were you aware that this was going on and that these people in effect apparently were being excluded out?

Mr. McFARLANE. No, sir.

Mr. SARBANES. Do you think that is a wise way to make policy?

Mr. McFARLANE. No, sir.

Mr. SARBANES. Now, when you were at Geneva and you received the phone call about the difficulty with the Hawks transfer, one of the things you were asked to do, which you did, was to contact the foreign minister of a country to help expedite transit. Do you recall that?

Mr. McFARLANE. Yes, sir.

Mr. SARBANES. Why was the Secretary of State not asked to get in touch with his counterpart foreign minister, who would have been, of course, his direct counterpart with whom he would have had dealings in the past.

Why was he not asked to get in touch with the foreign minister? Why did it fall to you?

Mr. McFARLANE. Well, I think that is appropriate that he be asked. I suppose I concluded—and I had been keeping him informed on the trip and he was aware of this shipment—but I concluded, I imagine, that he would not have wanted to be party to it. It isn't a satisfactory explanation, Mr. Sarbanes.

I think it is equally true, however, that the President, who of course is the decisionmaker who in this instance determined that he wanted to promote and make possible this operation, wanted it done very badly. The Secretary of State disagreed with that for good reason. I was someone who am obliged to do what the President wanted, but I don't want to pass the buck. I was involved in the original decision process, and felt an obligation to give it a thorough try to be successful, and in this instance I believed that knowing the President wanted it done, that for me to do it would have gotten it done in the most expeditious way with the least exposure of the Secretary of State to bruised feelings or the vulnerability to his own oversight committees for that matter.

Mr. SARBANES. Did you go ahead——

Mr. McFARLANE. That is a very good point here—I am sorry, forgive me. At the outset, in July of 1985, when the visibility of ever getting started on this matter was discussed between the Secretary of State and myself, it was his judgment, Secretary Shultz's, that we should make the tentative show of interest and that I should be responsible for carrying this out on our end.

Mr. SARBANES. Now, you made reference in your response to the fact that the Secretary, had the Secretary done it, he would have been vulnerable to the oversight committees.

Now, clearly I take it that was an important factor in the extent to which the Secretary was brought into these matters, was it not? After all, he would have to appear frequently before various committees of the Congress, and had to answer to and respond to the Congress on a range of issues, and to the extent he was drawn in he might well face inquiries by the oversight committees. Would that be correct?

Mr. **McFarlane**. It is, and I wouldn't put words in his mouth. I think that is probably an unfortunate speculation that I made about the oversight committees.

It is true that the Secretary asked in the beginning that I tell him what he needed to know in order to function as the Secretary, and ultimately that is why I, for example, told him about the contribution by Country Two, that at that point I had learned he was about to make an approach to another country and perhaps to several countries, and in order to do that he shouldn't go back to one who had already donated, of course. So I told him about it.

Mr. **Sarbanes**. Now, he went about 15 months dealing with Country Two unaware of this contribution; is that correct?

Mr. **McFarlane**. You are right, certainly, on principle, that it is probably at least a year.

Mr. **Sarbanes**. When you flew to California after the Geneva meeting—is that correct?

Mr. **McFarlane**. Yes.

Mr. **Sarbanes**. You came back, stopped in Washington briefly, and went on out to see the President in California?

Mr. **McFarlane**. Actually, Secretary Shultz had invited me out to his birthday.

Mr. **Sarbanes**. I see.

And the President was out there, as well; is that correct?

Mr. **McFarlane**. He came later, but I did stay on with the President, yes.

Mr. **Sarbanes**. And you talked about the state of play on the Iranian matter; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. And the President said to you, "Let's have a meeting of the guys when I get back"?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. Who do you understand "the guys" to be, or who was at that meeting that constituted "the guys"?

Mr. **McFarlane**. This would have been the statutory members to the National Security Council, the Vice President, Secretaries of State and Defense, Director of Central Intelligence, the Chief of Staff there in the White House, and myself.

Those people had been associated with this issue.

Mr. **Sarbanes**. So, when you came—when the President came back just before you went to London, you had a full-scale meeting then of what you would regard as the principals in the national security field; would that be correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. And they were all there except Secretary Casey, who had McMahon stand in for him?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. Had a meeting like this ever taken place with respect to Contra policy?

Before you answer that question, let me ask—a comparable meeting of the guys had taken place some time in the period between July 21 and August 8. I think you said yesterday there was one meeting in which they were all present.

Mr. McFarlane. Yes, sir.

Mr. Sarbanes. And there were a number of other meetings that were not full-scope in which some would be present, some would not be present, and it sometimes might be just a couple—it might even have been one on one—but this was after the President came back from his operation. Is that correct?

Mr. McFarlane. Yes, sir, on the Iran matter, yes.

Mr. Sarbanes. But you did have one full-scope meeting of this same group, all the principals?

Mr. McFarlane. Yes, sir.

Mr. Sarbanes. Did a meeting of this sort take place before the Tehran trip, of all the principals take place with respect to Contra policy?

Mr. McFarlane. I would say very often. Actually, the NSC secretariat would have the minutes and the number of times, but Central American policy, policy towards the Contras, would be treated by the full NSC often.

Mr. Sarbanes. Now, when they met on Iran were there any matters of import that were kept secret from the members of the full group?

Mr. McFarlane. Not that I know of, no, sir.

Mr. Sarbanes. That was not the case when they met on Contra policy; is that correct?

Mr. McFarlane. I may not follow your point. Not to my knowledge. I thought that we discussed at that meeting——

Mr. Sarbanes. Obviously you were having discussions in which the Secretary of State, at least for one, was not aware of this third country contribution.

During that period, at least, he was participating in the meetings without having essential information.

Mr. McFarlane. Well, I think that would surely be so if we were meeting on the matter of support for them.

Mr. Sarbanes. When you went to London right after the meeting, this full meeting that was held I think on the 7th of December of 1985, and then the next day you flew to London or perhaps that night, flew to London for the meeting with Ghorbanifar; is that correct?

Mr. McFarlane. Yes sir.

Mr. Sarbanes. And you came away from that meeting very upset. In fact, I think you said you found him repulsive?

Mr. McFarlane. Yes sir.

Mr. Sarbanes. And you came back and were debriefed, I assume, to that effect. Is that correct?

Mr. McFarlane. Yes sir.

Mr. Sarbanes. Now, on the 9th of December, North sent you and Poindexter a memo, an eyes only memo.

First of all, let me back up. Before you went to London, at that meeting was there general agreement that there should not be an arms for hostage approach?

Mr. McFarlane. Yes sir.

Mr. Sarbanes. And that was the instruction the President gave you, is that correct?

Mr. McFarlane. Yes sir.

Mr. **Sarbanes**. And when you returned and were debriefed you held strongly to that position, having been through the experience, is that correct. That is, that was the right policy?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. And upon the debriefing did everyone in effect reaffirm that that was the right policy?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. Now, you then got this memo from North, who was with you in London, I take it?

Mr. **McFarlane**. Well, I didn't. It would appear that I got that memorandum but I didn't. It was addressed to me. It didn't reach me.

Mr. **Sarbanes**. All right now, so you don't recall seeing this memorandum?

Mr. **McFarlane**. No sir.

Mr. **Sarbanes**. North was—had been with you in London, is that correct?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. He knew your reaction to this whole approach with Ghorbanifar?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. Did he participate in the debriefing when you returned?

Mr. **McFarlane**. I believe he did, yes sir.

Mr. **Sarbanes**. In which you expressed your disgust with Ghorbanifar and his approach to this matter?

Mr. **McFarlane**. Yes sir.

Mr. **Sarbanes**. And yet North sends a memo that says, and I am now quoting him,

> The meetings this weekend with the Israelis and Ghorbanifar were inconclusive. Ghorbanifar refused to return to Geneva with our message that no further deliveries would be undertaken until all the hostages were released.

Then later in the memo where he sets out options, he lists four options, and then he goes on and he says, "there is a fifth option which has not yet been discussed."

This is on page 3 of the memo. This is exhibit 45A. On page 3, the last paragraph on that page, there is a fifth option which has not yet been discussed. "We could, with an appropriate covert action finding commence deliveries ourselves, using Secord as our conduit to control Ghorbanifar and delivery operations."

[The exhibit appears at p. 599.]

Now, I think you testified yesterday that you were, I think you said you found it unusual that North should be advancing this position?

Mr. **McFarlane**. Well, I have learned of it in the last few months and this, together with another memo that was written about ten days prior actually approves note to Admiral Poindexter from Colonel North that discloses that General Secord is assisting in support of the Contras. The fact that that one didn't come to me, it wasn't addressed to me, and that this one was espousing ideas which he knew I was in disagreement, it is just very curious. I cannot explain it.

Mr. SARBANES. Well, let's try to pursue it for a moment. Why would North be hustling this idea at a time when the statutory group had made a decision not to take this approach in the meeting of December 7, and had been in a sense one assumes, reaffirmed in that view by your report on the London meeting. Yet, here is North apparently running counter to that. Was it a unanimous judgment that you felt you were operating under from the statutory group?

Mr. MCFARLANE. I thought it was, Senator Sarbanes, and I just don't have a good answer for you. I can speculate but that is what it is.

Mr. SARBANES. Well, what is your theory?

Mr. MCFARLANE. Well, I have seen references to Director Casey's notes from debriefing, the post-London meeting in the White House where I debriefed the London meeting.

They included that the President made the point after I had urged that no further action be approved, that the President said what about letting Israel do it? Can't we just go on that way?

Well, I don't know this, I have no reason to believe it, it is conceivable that the Director who did have quite a strong and understandable commitment to pursuing whatever channel might return the hostages and Mr. Buckley and others saw the President's interest there and thought it feasible to resurrect the idea. Now I don't know that.

Mr. SARBANES. Do you think North might have been influenced to try to keep this idea alive because this approach had already provided a significant surplus which, a part of which had been used to support the Contras?

Mr. MCFARLANE. That is possible, I suppose.

Mr. SARBANES. Now, Director Casey was not at the December 7 meeting; is that correct?

Mr. MCFARLANE. No, sir. I believe he was at the debrief, but not at the pre-brief.

Mr. SARBANES. Is he the first DCI to have an office in the—I understand that he is the first to have an office in the Old Executive Office Building. Do you know if that is correct?

Mr. MCFARLANE. In the past four administrations, I think that is at least true.

Mr. SARBANES. Now, at this point in time did you know about General Secord's activities in support of the Contras?

Mr. MCFARLANE. No, sir.

Mr. SARBANES. Yet within the month he met with Director Casey to, in effect, be thanked by the Director and encouraged kin his activity. Are you now aware of that testimony?

Mr. MCFARLANE. I have heard that, yes, sir.

Mr. SARBANES. Did Colonel North have, for a member of the NSC staff at his level, unusual access to the Director?

Mr. MCFARLANE. I think so, yes.

Mr. SARBANES. Were you aware of this unusual access?

Mr. MCFARLANE. No, although I did know that Director Casey had a very high regard for Colonel North, yes.

Mr. SARBANES. In fact, Casey's office at the EOB was just around the corner from North's, was it not?

Mr. **McFarlane**. I think it is diametrically opposed to it on the other side of the building, but it certainly is closer than walking to Langley. I am sorry, I don't mean to be silly.

Mr. **Sarbanes**. No, no. It is a very reasonable point and, in fact, General Secord was surprised when he was in North's office and North was on the phone with Casey and he said, "I am going to see Casey, why don't you come with me", and then he discovered that going to see Casey meant walking around the corner and down the hall in order to see him.

In fact, North seemed to be reporting to Casey with some frequency, did he not?

Mr. **McFarlane**. Apparently so.

Mr. **Sarbanes**. Did you know that was taking place?

Mr. **McFarlane**. No, sir. I knew that he had told him occasionally what the status of things was in Central America, although—because he would tell me occasionally on the same times.

Mr. **Sarbanes**. Now, North wrote to you in—this was in 1986, fall of 1986. After you left the government, you really maintained touch, you had the machine and you were able to communicate and you were getting messages back and forth with North and Poindexter throughout 1986; is that a fair statement?

Mr. **McFarlane**. Yes, sir, I think it comes to a dozen or so, that is right.

Mr. **Sarbanes**. Now, North was impatient for—I am reading now from the Tower Report, page B-151—and right in the middle of the first column. They had this plan now, this sequential plan of shipping in a certain amount of arms, getting a hostage released, having a meeting, shipping in more arms, getting a hostage released, and so forth and so on.

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. And it [the Tower Report] says North was impatient for Poindexter approval of the plan, Poindexter at this point being the National Security Adviser, and North's superior and supervisor; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. "He," North, "wrote McFarlane that evening. We still have no response from JMP," which would be Poindexter,

> re-proceeding with the sequential release proposal outlined to you some time back. Have now undertaken to have Casey raise same with JMP tomorrow at the weekly meeting. The things one must do to get action. I am hopeful Bill can push hard enough to move on the matter.

So, North, who was trying to get his supervisor to approve this plan, and apparently not getting any action, had enlisted Casey to do the same with him in the meeting, is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. Are you aware of North having done that to you on occasion?

Mr. **McFarlane**. I suppose it is possible.

Mr. **Sarbanes**. You said in your testimony yesterday that you disagreed with the Director on how to deal with the Congress.

Mr. **McFarlane**. Yes, sir.

Mr. **Sarbanes**. And I wanted to know what was that disagreement?

Mr. McFarlane. Well, I think the Director, a person of enormous conviction and confident in what he believed in, saw political motives in Congressional opposition to various policies on the part of the Congress and surely on the part of himself, but that there simply wasn't going to be any possibility of bipartisanship, and that to waste time promoting it was a waste of time.

That didn't pervade all across the board, but just on one or two things. He thought that we had to accept that, in his judgment for political reasons, the Congress had laid down the gauntlet on X, Y or Z, and so we shouldn't kid ourselves it can be altered.

And I think people in the White House have have an obligation to be concerned for the President's standing with the Congress, and to realize that even though one issue may not be retrievable, you would better give it a shot or it is going to affect your ability to win somewhere else, that is you should have a consistent record of trying to come to terms.

Mr. Sarbanes. Would you say that generally speaking, you had a great respect for the Congress and the need to deal with it in a straightforward way——

Mr. McFarlane. I think that is totally self-serving. I think the Director was a man of greater loyalty to his President than anybody I have ever seen, and a man of considerable intellect and skill who has done enormous good for his agency and his country.

Mr. Sarbanes. Did you know about the mining of the Nicaraguan harbor?

Mr. McFarlane. Yes, sir.

Mr. Sarbanes. Did you think that should have been consulted with the Intelligence Committees?

Mr. McFarlane. Yes, sir.

Mr. Sarbanes. It wasn't done.

Mr. McFarlane. No, sir.

Mr. Sarbanes. Why did you think it should have been consulted?

Mr. McFarlane. It is always wise if there is a risk something might fail to get people who might share the blame and even if it—especially if it is not going to work, you would like to have some company when the crash comes.

Mr. Sarbanes. I have just two or three more points, Mr. Chairman.

Did you know there was a southern front in Nicaragua?

Mr. McFarlane. It came and went. When it came, I knew about it and when it went, which was usually, I also knew about it.

Mr. Sarbanes. Did you know there was an airfield in Costa Rica?

Mr. McFarlane. At the very end I heard that there was a field where planes recovering from drops or something would go.

Mr. Sarbanes. Did you know that there was an airlift operation going on?

Mr. McFarlane. Not that Americans were involved with, and I assumed that the Contras had to be getting their supplies by air in some fashion.

Mr. Sarbanes. In other words, you knew these things were happening but I take it your testimony is that you didn't know that North was doing them or that he was very much involved in doing them?

Mr. McFarlane. No, sir, I didn't have any idea that the establishment of the infrastructure was Ollie's work. There is one thing for him to advise the Contras on who they might go to to set it up and another thing to help set it up.

Mr. Sarbanes. Did you know that Ambassador Tambs in Costa Rica was reporting through a back channel, thereby bypassing the Secretary of State?

Mr. McFarlane. No, sir.

Mr. Sarbanes. Did you feel North was under your control? I know he was under it in terms of your assuming responsibility, because you have done that repeatedly and I respect that, but that he was under your control in some real sense or was he really—what is your view as to the extent to which he was under your control?

Mr. McFarlane. Well, sir, at the time I did—at the time when I was in office, from what I have learned in recent months, I obviously was not. And yet still I have to believe that if Ollie did anything without telling me, that he did it to protect me, not to do it in circumvention of me.

Mr. Sarbanes. You have said that the third country approach has troubled you. In fact, we approached some five or six countries to get help for the Contras all told, isn't that correct, in one way or another?

Mr. McFarlane. I accept your word on it. I didn't know that.

But I felt that way, because it seems to me that we are going to face this kind of problem in country after country in the years ahead, and that consequently, we have to have the country and the Congress behind us and fund our own reaction to this Soviet strategy at a very high level, and you can't do it by relying on third countries and shouldn't.

This is our problem.

Mr. Sarbanes. Let me ask a couple of questions very quickly.

Did Country Two, when you discussed the problems of funding the Contras, know that Country One had declined to do so?

Mr. McFarlane. No, sir.

Mr. Sarbanes. Did Country One later know that Country Two had, in fact, gone forward and was funding them?

Mr. McFarlane. Not to my knowledge, no, sir.

Mr. Sarbanes. Now, you say you were unaware of Secord's activities, is that right—this private, unaccountable network which he had established?

Mr. McFarlane. Yes, sir.

Mr. Sarbanes. For receiving money and for carrying out activities; is that correct?

Mr. McFarlane. That is correct, sir.

Mr. Sarbanes. I want to turn your attention to exhibit 45G, which I think is probably more easily read at page B82 in the Tower Report. That is easier, I think, to read.

[The exhibit appears at p. 615.]

In the footnote at the bottom of that page, it says in the same message North asked McFarlane's advice about an opportunity to return to the Marine Corps. McFarlane replied that the two should discuss it.

He added,

Frankly, I would expect the heat from the Hill to become immense on you by summer. Consequently, it strikes me as wise that you leave the White House. At the same time there will be no one to do all or even a small part of what you have done, and if it isn't done, virtually all of the investment of the past five years will go down the drain.

How's this for a self-serving scenario: 1. North leaves the White House in May and takes 30 days leave. 2. July 1st North is assigned as a fellow at the CSIS and (lo and behold) is assigned to McFarlane's office. 3. McFarlane/North continue to work the Iran account as well as to build other clandestine capabilities so much in demand here and there. Just a knee-jerk musing.

That is a McFarlane PROF note to North on March 10th of 1986. What was it you had in mind?

Mr. **McFarlane**. Well, I am glad you asked.

It has become a matter of understandable embarrassment at CSIS for good reason. Colonel North and I had a relationship that was quite close, that was derivative of our both being Marines.

I had not long after becoming the Adviser intervened to keep him on at the National Security Council staff with the Marine Corps, and I would periodically meet with Ollie to talk to him about getting back to the Marine Corps. And as with really all good Marine officers, Ollie wanted to go to a command.

And that is the ultimate reward, challenge, it is what everybody wants to do. The corallary is you don't want to do anything else and if anybody suggests the idea that you ought to go to Headquarters Marine Corps or to any staff, it is repulsive, it is kind of a way to make somebody mad.

If I had gone to the Marine Corps again before I left office and had sought to influence them to give Ollie a command, which I thought he deserved it, and I had some confidence that that was going to happen, but all you had to do to really stir Ollie up and get him quite mad was to suggest something that was other than command. That was a stupid thing to do, but oftentimes in this exchange of notes, I was trying either by levity or comic or foolishness to pick him up out of the dumps or help him out with some bureaucratic problem here or there.

Mr. **Sarbanes**. Of course, North was doing exactly this at the time. Except he wasn't doing it with you, he was doing it with Secord. He was working the Iran account as well as building other clandestine capabilities so much in demand here and there, was he not?

Mr. **McFarlane**. That is right. But his expectation, his wish, his passion, was to get back to a command and the very idea of him coming over to 8th Washington when he had already been in Washington for 6 years by that time, would have been out of the question for him.

Mr. **Sarbanes**. Mr. McFarlane, in an interview that appeared in the Baltimore Sun on Sunday, you branded the United States-backed Nicaraguan Rebels as incompetent Coca Cola bottlers and clerks who are incapable of succeeding in combat against the Sandinista armed forces. "They are well meaning, patriotic, but inept Coca Cola bottlers and clerks, said McFarlane, who made his remarks in two recent lengthy interviews with the Sun."

Is that an accurate story?

Mr. **McFarlane**. Well, I don't think it quite expresses the way that I feel in the sense that I believe that the United States should support freedom fighters. I believe that freedom fighters cannot necessarily be the only and usually are not the best foundation in covert terms for defending and promoting our interests. But in this case, we had, after 4 years, come to a point where there are roughly 12,000 to 15,000 people in the field, and the odds are getting better, and the people are terribly well meaning, they are patriotic, they are nationalists, who want their country back.

My point is that if the United States builds its policy upon a movement which thus far has not demonstrated that it can really exploit the key vulnerability of the Sandinistas, there comes a time when you have to say this isn't going to work.

Now, maybe it would work if they would get enough support, but if you cannot get enough support, don't kid yourself that it is going to somehow achieve your purpose. I would like to see them get enough support.

Thus far they haven't been able to do that.

Mr. **Sarbanes**. Finally, in Mr. Leon's questions about the chronology which you were involved in working on, in preparing and in working with the others, did you feel yourself constrained to work within the statements which the President had made in his address to the nation on the 13th of November, and in his press conference on the 20th of November?

Those have both taken place, as I recall, before this work on the chronology, is that correct?

Mr. **McFarlane**. Well, sir, the work on the chronology came on the night of the 18th, and yet I did not feel then that it needed to be limited by the previous speech because the speech, I believe, was influenced by keeping private some matters of fact because there was hope, I think at the time, that there might still be the possibility of other hostages being released. But that expectation was no longer governing on the 18th.

Mr. **Sarbanes**. Well, even so, you in effect, gilded, by your own admission, the chronology—I think that was your statement at a previous time; is that correct?

Mr. **McFarlane**. Well, I think I have said that there seemed to me to be a wish to do that common among those who were doing it and that I participated in it. So I take your point.

Mr. **Sarbanes**. And earlier today in extended testimony you indicated that the assurances you gave to the Congress in your letters about Contra activity were to say the least over-stated?

Mr. **McFarlane**. I think that is true.

Mr. **Sarbanes**. In all of this, who or what are you trying to shield or protect?

Mr. **McFarlane**. Very likely myself, my reputation, my own record of performance.

Mr. **Sarbanes**. And only that?

Mr. **McFarlane**. Well, I believe, Senator Sarbanes, that President Reagan's motives and direction to his subordinates throughout this entire enterprise has always been in keeping with the law and national values. I don't think he is at fault here and if anybody is, I am.

Mr. **Sarbanes**. I have no further questions, Mr. Chairman.

Chairman **Hamilton**. We will conclude today's hearings and begin at ten o'clock tomorrow morning with questions by Representative Boland and then continue by questions from other Members.

Thank you very much, Mr. McFarlane. The joint committee stands in recess.

[Whereupon, at 5:17 p.m. the committees adjourned, to be reconvened the following day, Wednesday, May 13, 1987 at 10:00 a.m.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Robert C. McFarlane

WEDNESDAY, MAY 13, 1987

House Select Committee To Investigate
Covert Arms Transactions With Iran
and
Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition,
Washington, DC.

The select committees met, pursuant to call, at 10:00 a.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman Hamilton. The joint hearings of the two select committees will come to order. We continue this morning with our witness, Mr. McFarlane.

Mr. McFarlane, I remind you once again that you remain under oath for the remainder of your testimony. We turn to the second of the two principal questioners, Congressman Boland, and I recognize at this time Congressman Boland.

Mr. Boland. Mr. McFarlane, are you familiar with Executive Order 12,333 which was signed on December 4, 1981 by President Reagan and its description of the National Security Council's role in the United States intelligence activities?

Mr. McFarlane. Yes, sir.

Mr. Boland. Let me read from Part 1 of that Executive Order and it is Paragraph 1.2, referring to the National Security Council.

Let me quote from one of the paragraphs:

> The NSC shall act as the highest Executive Branch entity that provides review of, guidance for, and direction to the conduct of all national foreign intelligence, counterintelligence, and special activities and attendant policies and programs.

There is no doubt about the fact in your mind, is there, that the NSC is a very important part of the intelligence activities of our government?

Mr. McFarlane. Yes, sir.

The NSC perhaps is useful to define what that is, but I agree fully with your point. It is defined in statute as well in the 1947 Act as the President, the Vice President, Secretary of State, and Secretary of Defense.

Mr. Boland. Are you familiar with the Executive Order 12,334 establishing the Intelligence Oversight Board?

Mr. **McFarlane**. Yes, sir.

Mr. **Boland**. Did you ever talk with any members of the Intelligence Oversight Board or its executive director with reference to what your responsibility as National Security Adviser was at that time with reference to the National Security Council itself?

Mr. **McFarlane**. No, sir. I have had occasion to talk with members of the board several times through the years, but——

Mr. **Boland**. Did you ever seek any legal opinion from anyone from any of the staff, specifically Brent Sciaroni, who is Executive Director of the IOB?

Mr. **McFarlane**. No, sir.

Mr. **Boland**. And what was the opinion that he gave to you with reference to whether or not the activities of the National Security Council are clearly intelligence activities?

Mr. **McFarlane**. My answer, I had not solicited there, nor to my knowledge did I ever receive one.

Mr. **Boland**. You have testified that the Boland amendment that was in effect from October 1984 to December 1985 applied to the activities of the NSC.

We have that testimony. When you were the National Security Adviser, would you have believed that a presidential finding could overrule that Boland amendment?

Mr. **McFarlane**. No, sir.

Mr. **Boland**. In your opinion, would a diversion of funds such as occurred in the case this committee is now investigating have violated the restrictions imposed by Congress on aid to the Contras?

Mr. **McFarlane**. It could have.

Mr. **Boland**. In your earlier testimony before this committee, I think your answers to a number of questions have been forthright, and I think straightforward, but in your earlier testimony before this committee, you described the procedure you went through to provide answers to a letter written to you in August of 1985 by the Chairman of the House Intelligence Committee concerning Oliver North and the Contras.

You testified that your review of NSC files revealed certain questionable documents, that you discussed the meaning of these documents with Colonel North and were satisfied with his answers, and that you directed Colonel North to draft a reply to the letter which you sent in September of 1985. And that reply has been marked as exhibit 41A, which you have before you.

[The exhibit appears at p. 560.]

You testified that the denials in the letter of North's involvement in prohibited activities were too categorical. I would like to know what changes you would like to make in that reply so that the denials would be less categorical.

Mr. **McFarlane**. If you would care for me to take that piece by piece and spend time, Mr. Boland, in doing that, I would be very pleased to do so.

In sum, I believe that regarding the prohibition on fundraising, while I am not personally privy to evidence nor conclusions that may be reached concerning whether Colonel North was or was not involved in that activity, it seems to me an area where a change would be warranted.

Apart from fundraising, the activities of Colonel North as they came close to or breached other prohibitions, such as providing advice to or contributing to, directly or indirectly, paramilitary or military activities, would as well warrant review, I think, and revision.

I would be glad to spend the time on going through that if you wish. It probably would be appropriate to give it the due care it deserves.

Mr. BOLAND. Well, may I, Mr. McFarlane, for the record, Mr. Chairman, enhance that response for the record?

Chairman HAMILTON. Without objection, so ordered.

Mr. BOLAND. Let me ask. You must have known that the denials in that letter would be relied upon by the House Intelligence Committee; is that correct?

Mr. MCFARLANE. Yes, sir.

Mr. BOLAND. Why would you allow that type of an answer to be forwarded when you had doubts as to its accuracy?

Mr. MCFARLANE. Specifically, Mr. Boland, I believed that the central concern of the Congress in enacting that law had not been violated. I could not prove that it was violated, and I accepted Colonel North's personal certification that he had not done so.

The other areas that could have involved breaches with regard to whether or not he gave advice concerning military or para-military activities, I had no first-hand knowledge that he had, but it seemed to me that it was likely that he had, or had provided assistance to them that went beyond the law, but without certain evidence of it, not being able to disapprove it, I accepted that as sufficient grounds for saying it was truth, and I believe that I was wrong to do so. But that is why I sent it.

Mr. BOLAND. In your earlier testimony before this committee, you stated that when you were first questioned by Attorney General Meese, about the Iran Affair in November of 1986, you did not mention that you had been told that some of the proceeds had been used to assist the Contras.

By way of explanation, you said that Mr. Meese had been asking all the questions, raising the inference that because he had not asked about the diversion, you had not mentioned it. Is that a fair statement of your thoughts at that time?

Mr. MCFARLANE. I believe it is. It didn't occur to me at the time, Mr. Boland.

Mr. BOLAND. And did you not assume that the Attorney General was interested in compiling a full record of the facts about the Iran Affair and, if so, why didn't you mention the diversion?

Mr. MCFARLANE. I cannot account for why it simply did not occur to me at the time, Mr. Boland. I readily answered the Attorney General's question when he brought it up. We weren't talking about the Iran matter.

Mr. BOLAND. Let me ask you a couple questions, rather soft, about Oliver North and the Contras. In October 1984, the so-called full prohibition Boland amendment was enacted, and under its terms no funds appropriated to the CIA or DoD, or other intelligence agencies could be used to directly or indirectly support the Contras. Clearly the operative phrase is no funds, and its extension to direct and indirect support. No funds means all funds, incidental funds, substantial funds, funds paid for salaries and so forth. That phrase is on its face all-inclusive with respect to appropriated funds.

Exhibit 31 before this committee, is a memorandum dated 7 November 1984, from Oliver North to you, in which he relayed a request from Contra leaders for help in locating Sandinista HIND-D helicopters, and indicated which U.S. Government employees he had tasked with gathering the requested information.

[The exhibit appears at p. 463.]

I would like to know how these activities could, in your opinion, have squared with the "no funds, direct or indirect support," which was the thrust of the Boland amendment?

Mr. **McFarlane**. This may take 5 minutes if that is all right, sir.

Mr. **Boland**. Let me ask this question, Mr. McFarlane. Finally, were U.S. Government employees tasked to locate the HIND-D helicopters through intelligence information?

Mr. **McFarlane**. Not to my knowledge.

Mr. **Boland**. This exhibit indicates that Colonel North called Bob Vickers, who is the NIO for Latin America, and General Paul Gorman, who is the Commander of the Southern Command at that time, and asked them for all that they had on the location of the HIND-Ds. Would that tasking have been a violation of the Boland amendment, in your judgment?

Mr. **McFarlane**. Well, on its face I would think if that information in turn were provided to the Contras, that it would.

Mr. **Boland**. Now, the Tower Commission report cites a memorandum dated 16 February 1985 from Oliver North to you in which he advised that retired General Singlaub had made promising contacts with representatives of two Asian governments concerning financial support of the Contras and requested your authorization to have General Singlaub proceed in this effort. That is page OC-4 of the Tower Report.

In your opinion, would such direction to General Singlaub by North or you have been an action indirect or indirect support of the Contras?

Mr. **McFarlane**. It would appear to, yes.

Mr. **Boland**. Exhibit 35 before this committee is a memorandum dated 5 March 1985 from Oliver North to you in which he advised of a plan to ship arms to the Contras through a Central American country by means of false end-user certificates. If Colonel North participated in the furtherance of this plan, could that in your opinion have been an action in direct or indirect support of the Contras?

[The exhibit appears at p. 492.]

Mr. **McFarlane**. It could have, sir.

Mr. **Boland**. When you were the National Security Adviser, who would Colonel North have had to have gone to for authorization of any activity like the diversion?

Mr. **McFarlane**. To me, sir, at least.

Mr. **Boland**. Could he have gone to Mr. Poindexter?

Mr. **McFarlane**. To the incumbent National Security Adviser.

Mr. **Boland**. You testified that the President directed you to find a way to help the Contras after U.S. funds were cut off but not to break the law in doing so. Based on your reading of the so-called full prohibition Boland amendment in effect from October, 1984, to December, 1985, would any type of assistance to the Contras by a member of the NSC or any other intelligence agency have been permitted?

Mr. McFarlane. No, sir.

Mr. Boland. How many times did the President mention his desire that something be done to help the Contras? Was that offered to you?

Mr. McFarlane. Yes, sir.

Mr. Boland. Did you ever give the President reports on what you and your staff were doing to carry out his wishes?

Mr. McFarlane. Frequently, yes, sir.

Mr. Boland. On how many occasions? Many occasions?

Mr. McFarlane. Dozens.

Mr. Boland. Can you indicate what you told him?

Mr. McFarlane. Basically I would convey to him what information came from the intelligence agencies or any other source on changes in the situation, increasing the size of the forces, expansion to include political figures, declining forces on the battlefield, basically change in status that occurred as well as how the trends in the Congress were going and where, if necessary, he could help or contribute to——

Mr. Boland. Well you spoke with him on a number of occasions. Let me ask. How did you keep track of what was being done at the NSC to implement the President's request?

Mr. McFarlane. Every morning at 7:30 I had a staff meeting at which I would get that report on the Central America situation each morning. There would be daily reports from the staff in writing, often PROF notes, meetings with Director Casey, the Secretary of Defense.

It was a matter on which there was real time reporting almost every day.

Mr. Boland. When John Poindexter was your Deputy National Security Counsel, what was his role at the National Security Council meetings?

Mr. McFarlane. At meetings of the NSC the Admiral was there so as to be able to be aware of what decisions, if any, were taken and to take followup actions as required where the NSC needed to carry out orders issued at the meeting.

Mr. Boland. I would imagine that he took notes frequently. Was that one of his tasks at an NSC meeting?

Mr. McFarlane. Yes, sir. And there would be a formal notetaker where the NSC met in full plenary session. In the more restrictive meetings called NSPG planning group, Admiral Poindexter, as the only deputy present, would normally be notetaker.

Mr. Boland. Did you ever know him to attend an NSC meeting and not take notes?

Mr. McFarlane. No, sir.

Mr. Boland. One of the obligations of this investigating committee, of course, is to come up with some recommendations to either tighten law or make recommendations to make our intelligence—to make it better, and also to be sure that some of those things which occurred over the past years would not occur again, if it could be corrected by some advice, by Congressional action.

Do you believe that the National Security Council should have a foreign policy decisionmaking role greater than that of the Secretary of State?

Mr. McFARLANE. No, I don't, Mr. Boland.

Mr. BOLAND. Do you believe that the Congress should have an oversight responsibility in the areas of intelligence activities on foreign affairs?

Mr. McFARLANE. Yes, I do.

Mr. BOLAND. I think you have always felt that way in the years that you have been involved here. But can that responsibility be effectively discharged if Congress is given less than complete statements by officials in the executive branch on whose complete candor it must, of necessity, rely?

Mr. McFARLANE. No, sir, it cannot. There certainly has to be integrity on both ends of the dialog, that is true.

Mr. BOLAND. Thank you very much, Mr. McFarlane.

Thank you, Mr. Chairman.

Chairman HAMILTON. The Chair recognizes Senator McClure.

Mr. McCLURE. Thank you, Mr. Chairman.

Mr. McFarlane, I want to talk a little bit about the development of policy and how the policies in these matters happened to come about.

Did the two policies, that is, Iran and aid to the Nicaraguan resistance, have distinct and separate beginnings?

Mr. McFARLANE. Yes, sir. The policy of support for freedom fighters in Central America had its origins before I reached the White House in 1981. At the time there was no consideration, to my knowledge, of any initiatives toward Iran.

Mr. McCLURE. Is it fair to say that we did not get involved in Iran in order to raise funds for the Contras?

Mr. McFARLANE. I don't believe we did, that's correct.

Mr. McCLURE. Is it then fair to say that we did not get involved in Iran in order to circumvent the restrictions to the Boland amendment?

Mr. McFARLANE. That's correct.

Mr. McCLURE. In your mind, when and how did the linkage between the Iran initiative and the Contra support come about?

Mr. McFARLANE. Senator McClure, I would be glad to provide an answer which would be, however, pure speculation, because while I was peripherally knowledgeable about what happened after I left the administration, it was after I left that the action to channel money to the Contras was taken. And I honestly do not know.

Mr. McCLURE. And you think that was the point at which the linkage began?

Mr. McFARLANE. As far as I know, it is, sir.

Mr. McCLURE. Now, I think you have testified earlier, and you have certainly made a number of statements to the press, about the dangers of a policy that called for contacts with the government in Iran.

Mr. McFARLANE. Yes, sir.

Mr. McCLURE. The dangers to United States prestige, U.S. position in the world, the relationships with our allies—a number of dangers. It was a risky undertaking that, while it had, if successful, some promise of gain, it also, if a failure and exposed, had great dangers to the United States, did it not?

Mr. McFarlane. It surely was with great danger, Senator McClure. But I have to say it was also dangerous to do nothing.

Mr. McClure. And at the same time the Contra policy with the Congressional actions moving one direction and then the other, with Congress moving back and forth across that line of support of first some, then limited, then none, then limited, then more full support, there was an intense political debate in the country about Contra assistance?

Mr. McFarlane. Yes, sir.

Mr. McClure. Did it occur to you that there was a greatly heightened danger to the U.S. policy when the two became linked, Iran had its own dangers and Contra policies which had intense political debate, and putting the two together increased the risk geometrically?

Mr. McFarlane. I agree, sir.

Mr. McClure. Was that discussed, to your knowledge?

Mr. McFarlane. I have no idea. I was not there.

Mr. McClure. Is it fair to say the President's management style is one that seeks to avoid confrontation with and among his principal advisers and Cabinet officials?

Mr. McFarlane. Well, I think the President wants a diversity of views and certainly gets them. If your point is that he does not enjoy being involved in the resolution of them—is that your point?

Mr. McClure. That is my point. Is that correct?

Mr. McFarlane. That is fair to say, I think.

Mr. McClure. Did that management approach contribute to the isolation of State and Defense in the Iran initiative?

Mr. McFarlane. Well, Senator McClure, I think really it isn't quite accurate to say—at least for my own period of service in government, they were excluded. There were frequent conversations with the Secretary of Defense and State about this matter and their own notes show that.

Mr. McClure. Was there a concern in the administration over leaks that were occurring within the administration between the various branches or individuals within the administration, and between the administration and the Congress, and within the Congress?

Mr. McFarlane. Yes, sir. There always are, and this was no exception.

Mr. McClure. Did this concern contribute to the decision to limit dissemination of information?

Mr. McFarlane. I think so.

Mr. McClure. The reason I ask that question is it seems apparent to me that we are dealing with a lot of symptoms and we are not really dealing with causes.

One of the problems—that I perceive, at least—is that when people agree with policy, secrecy is easy to keep. When there is any disagreement over policy, it is almost certainly going to get selectively leaked in order to gain advantage in the political debate. Am I correct?

Mr. McFarlane. Yes, sir.

Mr. McClure. And that occurs not just within the Congress, it also occurs within the administration, does it not?

Mr. McFarlane. Yes, it does.

Mr. McClure. And that poisons the well of any kind of good communication?

Mr. McFarlane. Yes, sir, it does.

Mr. McClure. And makes cooperation infinitely more difficult, does it not?

Mr. McFarlane. That is true.

Mr. McClure. I want to shift a moment to a relationship which figures in this whole episode. In your previous testimony, specifically on Monday afternoon, you indicated that you had known Mr. Kimche for a decade and that you have worked closely with him during your entire time in the administration since 1981; am I correct?

Mr. McFarlane. I knew of him for 10 years and worked with him for 5; Yes, sir.

Mr. McClure. How and when did you first meet Mr. Kimche?

Mr. McFarlane. I met him on a trip to Israel with General Haig and was in personal touch with him while serving as counselor of the State Department in 1981; visits to the area in 1981, 1982, and 1983; and occasional telephonic communications.

When he would visit this country, we would always get together. It was a close working relationship, sir.

Mr. McClure. At the time of your first meeting with Mr. Kimche, were you aware of his Mossad connection?

Mr. McFarlane. I knew of his past service there, yes, sir.

Mr. McClure. With respect to him contacting you in July of 1985 regarding the Iran matter, why would you be meeting with Mr. Kimche instead of someone from the CIA or the Department of State?

Mr. McFarlane. Well, I suppose you would have to ask him about that. I could speculate. He probably recognized that the proposal he was making was one that could very well be rejected out of hand, but because it would require a decision at the highest level in order to avoid gratuitously having it spread too far, if it is not even going to get off the ground, why not go to the White House first.

More likely, he was instructed by his government to go there.

Mr. McClure. In my recollection of your testimony on Monday, when this first came up, you said you put it in the context you made it a practice to keep in contact with your counterparts in foreign governments; is that correct?

Mr. McFarlane. Yes, sir.

Mr. McClure. On a regular basis?

Mr. McFarlane. Yes, sir.

Mr. McClure. Wouldn't it be true to say—and correct to say—that your relation with Mr. Kimche was both more personal, closer, and more frequent than with representatives of other governments?

Mr. McFarlane. Well, I would have to really check and see. I also had an extremely close working relationship with a senior official of Country Two and one or two European countries and they would come very close, if not be greater than, this one.

Mr. McClure. On your earlier testimony, when being questioned by Mr. Liman, you described the conversation with Mr. Kimche when this first came up and on page 29 of the transcript, Mr. Liman said, "Now, in the first conversation, did Mr. Kimche mention arms?"

And your response was, "number"

He said, "But he did mention hostages?"

Your response was, "Yes, he did."

Later on after discussing some other matters, you came back to—Mr. Liman came back to that subject on the bottom of page 31, top of page 32.

Mr. Liman said, "Let's go back to the meeting with Kimche. He asked you at the end whether you would be interested, but there were no arms involved."

Am I correct that that was the exchange?

Mr. McFarlane. Yes, sir.

Mr. McClure. That is your memory of the conversation?

Mr. McFarlane. Yes, sir.

Mr. McClure. In the Tower Board Report in Part 3-5, it is clear that beginning in January 1985, 6 months before this approach, that the Israelis were discussing among themselves with Ghorbanifar using arms sales to obtain the release of U.S. hostages and to open a strategic dialogue with Iran. I can quote from the Tower Board Report on that point.

> Iranian interests in these weapons was widely known among those connected with the arms trade. These included Manucher Ghorbanifar, an Iranian businessman living in France, and Albert Schwimmer and Yaakov Nimrodi, private Israeli arms dealers with contacts throughout the Middle East, including Israel.
>
> Since September 1984, Mr. Schwimmer had also been a consultant to then Prime Minister Shimon Perez. In a series of meetings beginning in January 1985, these men had discussed using arms sales to obtain the release of U.S. citizens held hostage in Beirut and to open a strategic dialogue with Iran. Some of these meetings included Amiram Nir, since September 1984, an adviser to Prime Minister Perez on counterterrorism.
>
> Also involved was Saudi businessman, Adnan Khashoggi, a man well-connected in the Middle East and enjoying a special relationship with key Israeli officials.
>
> All these men subsequently played a role in the brokering of the arms deals that later did occur. These men believed that the United states, Israel, and Iran, though with different interests, were susceptible to a relationship of convenience involving arms, hostages and the opening of a channel to Iran. The catalyst that brought this relationship into being was the proferring by Israel of a channel for the United states in establishing contacts with Iran.

I suspect you read that part of the Tower Report?

Mr. McFarlane. Yes, sir.

Mr. McClure. Is that a correct recitation of facts?

Mr. McFarlane. Well, I don't know. It sounds like it is. It is also ex post. It would have been nice to have to follow this 20-20 hindsight in July of 1985. But it simply wasn't available.

One of the problems which led us to consider listening to someone out of Iran was that our intelligence was so poor that we didn't know what was going on. The fact that we did not know 7 years after we had gotten run out of there, is kind of a shame; isn't it?

But we were trying and willing to listen. I am quite open to the suggestion—and I think you are right, Senator McClure—that we should have known more than we did. But we didn't know these things.

Mr. **McClure**. But this Kimche did not mention arms in his conversation with you?

Mr. **McFarlane**. Not in the first one, no, sir.

Mr. **McClure**. Monday afternoon you testified that in reporting to the President about your contact with Mr. Kimche, that the decision for the President would be whether or not he, the President, would approve Israel making sales under terms that Israel could negotiate and at some point coming to the United States, Israel, to buy replacement arms.

That occurs later, did it not?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. But that was your report to the President at that time?

Mr. **McFarlane**. After the first meeting, I reported to him the proposal of Mr. Kimche that we initiate a dialogue and he approved doing that. Two weeks later, Iran introduced the requirement for ten TOWs, and I reported that to him and he said the United States will not do that. Two weeks after that, approximately, Israel proposed that Israel sell the arms, but stipulated that it had to be able to come to the United States to buy replacements.

The President considered that, talked it over with the NSC principal and later approved that.

Mr. **McClure**. Do you have any question in your mind at this time as to why Mr. Kimche did not mention arms at the first meeting when apparently he and others had been discussing them for sometime prior to that first meeting?

Mr. **McFarlane**. Well, I think Mr. Kimche is a very careful man. I expect that he came to the United States on instruction of his government with clear instructions as to what he was to say, and he said what he was told to say. But I think you make a very good point, Senator McClure, and the point that has always puzzled me about this is that Mr. Kimche left the government in December of 1985.

It may have been coincidental. I say that only as interesting to the extent that I think it likely he may have become very disenchanted with the Iranian connection himself. Now, I do not know. I should not suggest that that is the reason he left the government. But I believe him to be a man of integrity who performs as he is instructed to do, and with considerable skill.

Mr. **McClure**. If I can return a moment to that testimony you gave Monday on it—on what your report to the President would be, and I quote, "Whether or not he, the President, would approve Israel making sales under terms that Israel would negotiate—" And I emphasize that part of it, "if the sales would occur under terms that Israel would negotiate." Isn't it fair to say that it was Israel and Iran who were the principals in these transactions and not the United States.

Mr. **McFarlane**. Yes, sir. There were limitations put on those negotiating terms, but yes, sir, you are right.

Mr. **McClure**. Did you discuss the progress of the Iran-Iraq war at the July meeting or at other times?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. How was the war progressing from Israel's point of view?

Mr. **McFarlane**. Well, I suppose from Israel's point of view satisfactorily in the sense that it was stalemated and that served Israel's interest.

Mr. **McClure**. If I can refer to exhibit 45A, which is a memo from Oliver North to you and John Poindexter on the—that comes in a couple of parts really. There are the initial four pages and then there is a "Special Project Re: Iran," which begins on the fifth page. The last 3 pages of that exhibit are on the Special Project Re: Iran.

[The exhibit appears at p. 599.]

Mr. **Garment**. Could we have that reference again?

Mr. **McFarlane**. I don't think I am looking at the same one, sir.

Mr. **McClure**. Exhibit 45A.

Mr. **Garment**. The page number?

Mr. **McClure**. There is a cover page. Then—dated December 9, 1985. Then there are 4 more pages—3 more pages, and then there is a Special Project Re: Iran, September 5, 1985.

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. On the second page of that attachment, under the first paragraph, "Current Situation," it is describing the Iranian situation and describes first the overflights by Soviet aircraft, their inability to deal with that affront, and then it goes on to say, "They find themselves in an increasingly desperate situation vis-a-vis Iraq."

Do you see that?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. Would that be a correct description of the status of that war at that time?

Mr. **McFarlane**. Well, I don't agree with it.

Mr. **McClure**. You didn't view Iran as having an increasingly desperate situation?

Mr. **McFarlane**. No, sir. I think probably it is useful to say that objective military analysis, based upon order of battle and the weapons balance, for example, in tactical air, artillery, tanks, and so forth, would have led you to assume that Iraq had a very, very—has a very, very substantial advantage in tactical air power. That is true. But Iran has an immense advantage in manpower. That is true.

But the problem is, what goes with that hardware and numbers must be leadership, tactics, maneuver, skill, training; and those have combined in measures of extreme ineptitude on both sides. So the result has been a stalemate basically that rather begs sensible analysis.

But I take your point. I didn't see the situation as desperate.

Mr. **McClure**. As Colonel North described it in that memo?

Mr. **McFarlane**. No, sir. Which I didn't get, by the way, but I don't agree with the assessment.

Mr. **McClure**. Mr. McFarlane, what are TOW missiles and what are they used for?

Mr. **McFarlane**. The TOW is an antitank missile, wire-guided, that is fired from a tripod platform tube, like a big bazooka. It is not fired on your shoulder. It is on a tripod.

Mr. **McClure**. It is an antitank weapon?

Mr. **McFarlane**. Yes, sir, wire guided.

Mr. **McClure**. At the time, did Iraq have a large number of tanks in its inventory?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. As a matter of fact, the war between Iran and Iraq has had some of the largest tank battles since World War II, is that not correct?

Mr. **McFarlane**. Substantial, yes, sir.

Mr. **McClure**. Perhaps larger than any in World War II?

Mr. **McFarlane**. Big ones. No question.

Mr. **McClure**. If Iraq were to prevail against Iran, is it likely that at some point those tanks might be deployed against Israel?

Mr. **McFarlane**. Certainly Iraq would use all that it had, I'm sure.

Mr. **McClure**. Was Israel concerned about that?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. Now, you've described the fact that Israel had good tactical air?

Mr. **McFarlane**. That Iraq did, yes, sir.

Mr. **McClure**. Iraq did?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. It is also true, isn't it, that Israel has the best tactical air in the region?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. The Israelis really don't fear anything with respect to air-to-air combat or air-to-ground combat, do they?

Mr. **McFarlane**. Well, they prepare for it very well.

Mr. **McClure**. And they are really quite competent and self-confident?

Mr. **McFarlane**. Yes, they are.

Mr. **McClure**. They do fear tanks, don't they?

Mr. **McFarlane**. Yes.

Mr. **McClure**. Was it in Israel's interest to enable Iran to neutralize the Iraqi tanks?

Mr. **McFarlane**. Well, I think certainly it is in Israel's interest to weaken any potential enemy. It was very clear, however, that President Reagan said there cannot be any introduction of any weapons that has the effect of altering the balance of the conflict.

Mr. **McClure**. And you didn't—you had no concern that the use of TOW missiles by Iran could alter the balance of the war?

Mr. **McFarlane**. At the scale that I believed they would negotiate, no, sir. I do believe it was a little extravagant. Mr. Kimche talked to me of ten TOWs, not the numbers that ultimately were actually sent.

Mr. **McClure**. In testimony before this committee last week, General Secord testified in response to Chairman Hamilton's question that

> the Israeli government has a strong interest in the U.S. being able to somehow gain and maintain some sort of relationship with Iran for their own interests which don't necessarily converge with ours.

Moreover, General Secord further testified that he believed that

> the Israelis have a strong interest in trying to gain some sort of penetration into Iran in order to bolster Iran in the Iran-Iraq war. Iraq is a mortal enemy of Israel and of great concern to their military planners and to their leaders. Therefore, simply on military grounds alone, I believe there is an interest—an Israeli interest

> that the U.S. doesn't necessarily share. In fact, the U.S. position, if I understand it correctly, is one of neutrality in this war.

What was the U.S. position regarding the belligerents in Iran and Iraq? Did the U.S. favor one side over the other or did we have a position of neutrality?

Mr. McFARLANE. Sir, the declaratory policy of the United States at the time was one of neutrality. That has been a policy which had nuance from time to time that I believe remains classified. I could explain in closed session.

Senator McClure, I believe that I should be—and please stop me if I am wrong. I think there is an insinuation here about what—whether or not Israel's motives in bringing this possibility to our attention were not self-serving.

It seems to me that there was never any suggestion on the part of Mr. Kimche that Israel was seeking to subvert us or to influence us unduly. He stressed repeatedly in his encounters,

> But this doesn't make any difference. If you all want to have nothing to do with it, we certainly would understand. We bring it to your attention as an ally. If you wish to do it, good. If you don't, good. It is there for you to consider,

and so forth. And he went beyond that and said, "Obviously, Israel's interests are very different from your own," and pointed out they have an interest in sustaining the conflict. We don't.

I stressed all of our policy points, that our interest is in stopping the war, restoring relations with Iran some day, curtailing terrorism, opposing the expansion of fundamentalist influence beyond Iran's borders, and so forth and so on. They are different in many respects from Israel's. But that was clear on both sides, going in, eyes open. The President was very conscious of that.

Mr. McCLURE. As this matter evolved, according to your testimony on Monday, your next contact on the subject was not with Mr. Kimche nor even with Mr. Schwimmer, but with Mr. Ledeen. And you reported to the President of the United States on what Mr. Ledeen told you Mr. Schwimmer had said; is that correct?

Mr. McFARLANE. Yes, sir.

Mr. McCLURE. And is it your testimony today that it was Ledeen who provided you with the first information you had on Iran's interest in obtaining those missiles?

Mr. McFARLANE. Yes, sir.

Mr. McCLURE. And of Israel's interest in assisting them to obtain the missiles?

Mr. McFARLANE. Yes, sir. It was confirmed by Mr. Kimche but it came first from Mr. Ledeen. That is true.

Mr. McCLURE. Who is Mr. Ledeen?

How and when did you first meet him?

Mr. McFARLANE. It was probably in the late 1970s, when Mr. Ledeen was editor of a foreign policy journal, the Washington Quarterly. I had read some of his writing and, in fact, it was on Iran.

Mr. McCLURE. How did Mr. Ledeen come to the Department of State and upon whose recommendation?

Mr. McFARLANE. I believe the Secretary of State hired him himself, as I recall.

Mr. McClure. And you were with the Secretary of State at that time?

Mr. McFarlane. Yes, sir, I was.

Mr. McClure. What were his responsibilities at the Department of State?

Mr. McFarlane. Well, they were as directed by the Secretary. He as hired, I believe, because he did have and does have expert knowledge on a number of Middle East countries, as well as political movements, the socialist international, not only in Europe, but globally, and is knowledgeable on terrorism, and a scholar who has instructed at the university level, a generalist with a particular focus upon socialist politics and the Middle East.

Mr. McClure. While you were counselor to the Secretary of State, were you aware of Israeli arms transfers or sales to Iran?

Mr. McFarlane. No, sir.

Mr. McClure. Had you heard it discussed?

Mr. McFarlane. The story kept coming up and has since and it is most direct focus is that Israel approached that with the United States, Secretary of State, in 1981 and got, if not approval, at least acquiescence. And I don't believe that is true.

I don't know first hand, but I don't believe the Secretary ever approved that.

Mr. McClure. Do you know whether any transfer took place?

Mr. McFarlane. I do not.

Mr. McClure. Were you aware of sharing intelligence with Israel?

Mr. McFarlane. Yes, sir.

Mr. McClure. Was such intelligence provided so as to permit them to make an air strike against an Iraq facility?

Mr. McFarlane. If you mean the Osarak reactor, I would be surprised if that were so. I don't know that to be true.

Mr. McClure. Did there come a time when the then Secretary of State, that was Al Haig at the time, railed against the furnishing of this type of intelligence to Israel?

Mr. McFarlane. I don't remember that, but it is possible.

Mr. McClure. Was Secretary Haig opposed to the arms transfers then underway between Israel and Iran?

Mr. McFarlane. I believe he was, yes.

Mr. McClure. When you were—let's see—did Mr. Ledeen have any role, official or unofficial, during your period as counsellor to the Secretary of State, with respect to arms sales or transfers then taking place between Israel and Iran?

Mr. McFarlane. I don't believe so, no, sir.

Mr. McClure. How did Mr. Ledeen come to be a consultant at the NSC?

Mr. McFarlane. I don't remember. I would not have opposed it. I believe it occurred in 1983 and that I supported it because I knew of his connections and access to high officials in a number of socialist governments, which made it possible to get, through him, information we would not get from other sources.

Mr. McClure. Now, you mentioned Mr. Ledeen was something of an expert on counterterrorism?

Mr. McFarlane. Yes, sir.

Mr. McClure. Did he have an ongoing relationship with those in Israel who had similar expertise?

Mr. McFarlane. I don't know precisely who his contacts were in Israel, other than those that have come to light in the last 2 or 3 months, high officials. He was, I believe, a consultant to the Department of Defense in the counterterrorism role.

Mr. McClure. One of the officials in Israel who is an expert on counterterrorism is Mr. Nir?

Mr. McFarlane. Yes, sir.

Mr. McClure. Did there come a time when Mr. Ledeen advised you that he had had a meeting abroad with a European intelligence official on the subject of Iran and moderate elements within that country?

Mr. McFarlane. I believe so, yes, sir.

Mr. McClure. What did Mr. Ledeen tell you about this meeting?

Mr. McFarlane. I believe that he said that the official he had talked to had referred him to Israel as having the best information on what's going on in Iran.

Mr. McClure. Did it surprise you that Mr. Ledeen came to you with that story?

Mr. McFarlane. What impressed me most, I think, about it was the person who had so advised him, a person that I knew to be of considerable competence—the European.

Mr. McClure. Now, you talked to Mr. Ledeen about that matter on more than one occasion, did you not?

Mr. McFarlane. Yes, sir.

Mr. McClure. In light of your relationship with Mr. Kimche, why wouldn't you simply have pursued the matter directly with him?

Mr. McFarlane. Well, I did, actually. The scenario from the beginning involved Mr. Ledeen coming to me in I think April of 1985, saying that he had had word from this official you mentioned, I believe, that it might be timely to talk to Israel about whether or not it had any good intelligence on Iran, that he was going there anyway on a visit and would I have any interest in knowing if such ties existed. I said of course I would.

I did not task him. He was not going for me or carrying instructions. He was there on his hook to get information, as he always was. But he went there determined that they did have some history of association in talking to Iranians—came back and said so.

I had an exchange with the Secretary of State, said forget it, turn it off, but as a consequence of his visit Mr. Kimche did then come to me in July.

I had another conversation by cable with the Secretary of State and he said let's show tentative interest and you, Mr. McFarlane, be in charge of it.

Mr. McClure. Mr. McFarlane, yesterday you indicated that Colonel North told you that he was worried that Mr. Ledeen might have profited from the enterprise; is that correct?

Mr. McFarlane. Yes, sir.

Mr. McClure. You indicated that Colonel North had seemed preoccupied by whatever he had discussed with Mr. Ledeen at Ledeen's home at a meeting on November 21, 1986?

Mr. McFarlane. Yes, sir.

Mr. McClure. You will recall that you had offered to drive Colonel North to the EOB and that you waited in the car while North and Ledeen had a conversation?

Mr. McFarlane. He asked for the ride, actually. I wasn't going there. But that is correct, I waited in the car.

Mr. McClure. You testified further that Colonel North told you that perhaps Schwimmer and Ledeen have made some arrangements we are just not aware of and cannot account for, and he was worried about it.

Mr. McFarlane. Yes, sir.

Mr. McClure. Had you, prior to this conversation, had any suspicion or concern expressed to you that Mr. Ledeen or Mr. Schwimmer may have had a private arrangement?

Mr. McFarlane. I think Admiral Poindexter may have mentioned that he had some misgivings about that.

Mr. McClure. Based on your experience with Mr. Ledeen up to this point, did you believe Colonel North's story or give credit to his concern?

Mr. McFarlane. I didn't have any basis for judging, Senator McClure. I had thought that Mr. Ledeen's association with the project had been terminated when I left the government.

Mr. McClure. When you were National Security Adviser, one of your important subordinates was Howard Teicher, was it not?

Mr. McFarlane. Yes, sir.

Mr. McClure. How did he first come to your attention?

Mr. McFarlane. When I was appointed to be the Counselor of the State Department, I was looking for staff in my own immediate office, and I asked men that I respect in the department who they might recommend as a young, intelligent, analyst, and they referred me to Mr. Teicher, who had been, during the Carter administration, an analyst in the Department of Defense and was still working there and I interviewed him as well as several others and ultimately hired Mr. Teicher to be my own assistant, research assistant.

Mr. McClure. When you moved from the State Department to NSC, you brought him with you?

Mr. McFarlane. Yes, sir, I did.

Mr. McClure. Did Mr. Teicher, in his advice to you, propose that the us consider using Israel as a conduit for U.S. arms as a means of opening a relationship between the United States and Iran?

Mr. McFarlane. I don't recall that per se. However, you are correct that Mr. Teicher did coordinate on a proposed National Security decision directive that contained that reference or that recommendation, among others.

Mr. McClure. I am sure you had more than one occasion to have discussions with Mr. Teicher on his views on the Iran-Iraq war and U.S.-Iran relationships.

Mr. McFarlane. Yes, sir.

Mr. McClure. In these respects, would you say that Mr. Teicher's views were similar to those being expressed by David Kimche and later by Mr. Nir?

Mr. McFarlane. Well, I found Mr. Teicher to be very objective in pointing out the differences between our own interests and those of Israel, and while some of our interests do coincide, where they did not, he identified those.

Mr. **McClure**. Mr. Kimche had done the same thing in his conversations, hadn't he?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. When did you first become aware that General Secord was involved in the Iran initiative?

Mr. **McFarlane**. Well, I think it is just an error on my part. It should have been apparent to me on December 8, the day that I met in London with Mr. Ghorbanifar.

Looking back until very recently, I would have said that I didn't know that until I left government and was advised by PROF messages coming to me that that was the case.

It is apparent now to me that he was involved as of about November when he helped in the resolution of the shipment problem that came up on November, while I was in Geneva.

Mr. **McClure**. If I can divert to that for just a moment, did it ever strike you as strange that Israel would attempt a shipment to Iran in an El Al aircraft?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. Did you ever speculate on why that happened?

Mr. **McFarlane**. That did strike me as uncharacteristically dumb. There is nobody better at intelligence operations than Israel to my knowledge and this is very unusual.

Mr. **McClure**. The fact they were attempting to make that shipment through a third country and didn't have Customs clearance for the transshipment?

Mr. **McFarlane**. Unusual, yes, sir.

Mr. **McClure**. That again would be uncharacteristic, wouldn't it?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. When did you first become aware General Secord was involved in the Contra network?

Mr. **McFarlane**. I should add to that last answer I wouldn't blame the Israeli intelligence service on that. This was being handled by private Israeli citizens.

I would accept a greater margin for error and certainly it happened.

Mr. **McClure**. When did you first become aware that General Secord was involved in the Contra network?

Mr. **McFarlane**. I don't know if I could give you the precise date, but, again, on PROF messages, I was advised in very early 1986 that he was involved, and I think I wanted to believe that that was because the Contras had hired him to be involved and that may be the case.

It may also be true that he was engaged by Colonel North.

Mr. **McClure**. When you returned from the December 1985 meeting in London at Mr. Nimrodi's house, you returned on a U.S. aircraft?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. Was General Secord also on board that aircraft?

Mr. **McFarlane**. Yes, sir. He was a retired military officer, entitled to space available transportation.

Mr. **McClure**. Mr. North was also there?

Mr. **McFarlane**. Yes, sir. He was.

Mr. **McClure**. You knew of General Secord's response at that time, of his presence there?

Mr. **McFarlane**. Well, it is another lapse, Senator McClure. If you had asked me that a month ago I would have said, no, because I simply didn't remember it, but I do acknowledge that he was on the manifest, that he must have been there.

Mr. **McClure**. He testified that he had a conversation with you. You don't remember that conversation.

Mr. **McFarlane**. Well, I do remember that he gave me a paper. I think it was handwritten, and stimulated by the reality of it, I do recall having gotten it. Bear in mind that I had left the United States less than 24 hours before, ridden over there, had a couple of meetings, met this borderline moron, come back and I was not in the pink of alertness at the time.

Mr. **McClure**. You were a borderline moron yourself at that time, then. Let me rephrase that. You were somewhat tired, weren't you?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. And sleepy. I think General Secord said he didn't want to talk. All he wanted to do was sleep.

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. You remember that much?

Mr. **McFarlane**. Yes, sir.

Mr. **McClure**. Do you remember whether General Secord gave you any of his reactions to the meeting with Nimrodi while you were there on the aircraft?

Mr. **McFarlane**. I don't remember, Senator McClure.

Mr. **McClure**. Did he mention his involvement at all in the November shipment?

Mr. **McFarlane**. I don't think so. It is the kind of thing that he or Colonel North would have, however, and they may have.

Mr. **McClure**. Mr. McFarlane, on Monday at the close of your testimony you responded to a question from Mr. Liman on how you became involved in participating in the development of what can only be described as a false and misleading chronology, as well as other events.

You stated that such an explanation is at the heart of the purpose that we share here. You went on to say that if given the opportunity, you would be glad to provide some context to explain just why this did happen.

Would you like to take the time to explain now how this did happen, and why that is at the heart of this matter?

Mr. **McFarlane**. Well, I believe, Senator McClure, that the relationship between this administration and the Congress has been a very stormy one. It has been unsuccessful on the whole in forging a willingness on both ends of the avenue, to work together in foreign policy.

The reasons that that has not been possible are primarily—like in the executive branch, I think, although there is fault here on the hill. These are very, very personal opinions, and easily challenged, and I would welcome that.

But it is extremely important, it seems to me, that those who hold high office in this country not only understand and respect the role of the Congress in foreign domestic matters, but have long experience in working with them. I don't think that it is wise to expect as electors or people in Congress that someone can come here, not having been here, and work on the hill with the hill to be comfortable doing it to the extent that you must in foreign policy.

More fundamentally, I think, and I made the response in response to Senator Sarbane's question, that there never has been in our elections very great premium put upon the qualifications of the several candidates in foreign policy. People cast their votes in this country largely on their judgment about whether the candidates will respond to their domestic concerns, their pocketbook issues, and most candidates can get by on presenting a foreign policy platform of peace.

They are not required to go beyond that and say, peace how. If anything, President Reagan did go beyond the normal platitudes to define what peace through strength, his platform, really meant in terms of dealing with the Russians and so forth. But I think until we do correct that fundamental state of knowledge and interest on the part of every American, and you can only do that through generations of changed curricula in primary and secondary teaching history, other peoples' history, comparative politics, ideologies, things like that.

But at least if you do that, you have a better chance of electing people who will come with a keen judgment about what the United States can do to make the world a better place and to focus on those one or two things. Because only one or two can be done in 4 years. We ought to tackle, and to campaign on those and have the country behind him when he gets here on those two issues.

As it is today, a President is elected and per force, suddenly required to deal with Russians who play by quite a different rule book, but he is expected to behave by a rule book Americans and congressmen and women dictate, which is not adequate to compete with the Soviet Union. And so he is a product of an electorate that is terribly unrealistic about how he ought to do business, but he is required to negotiate with a very, very different breed of animal than the Soviet Union.

Again, education can help bridge that gap, but it is going to take generations to do it. When he arrives in Washington, the person that is a product of a far more informed electorate would also choose better people to be in his cabinet, and they, too, will have the qualifications necessary to deal with the job.

Of course, it is also worthwhile to have cabinet officers who have the same view of things as the President does. And that is not really true. Or, at least, they have widely divergent views of what the President really thinks. But I think the Congress, too, has to step up to the fact that it has been terribly irresponsive in the way that it has handled its end of foreign policymaking the past generation.

There was a time when the President, President Eisenhower, could confer with the leadership of Congress, Senator Johnson, Speaker Rayburn, and respond to what they had to say in terms of not doing things which they thought a bad idea. And one of the reasons he could is because they could deliver a defeat or a victory, and if they didn't like something, they would win, they would prevail.

He knew that, but he could also get them behind things he wanted to do, and they could deliver. It is no longer the case.

I think until campaign finance laws give leadership of the Congress over the purse strings that affect people's reelection, you are going to have this disintegration of leadership on the Hill here, and you have other outrageous examples of irresponsibility up here, where, to give you an example, the President and I were traveling out in Chicago, October, 1985. The *Achille Lauro* had been seized a couple days before. And we were in the Sara Lee Bakery, of all places.

The President had made a speech, and I was in the wings someplace being in touch with my deputy at the White House, and Admiral Poindexter and Colonel North, an exercise in NSC activism, that nobody seemed to criticize. However, we got word that we had determined where the hijackers were at the time, in Cairo, and of their plans to board an aircraft and go to Tunisia. And this had been learned through some very sensitive intelligence means, sources, methods.

My deputy said he had had a call from a senior, very senior Member of the Senate Intelligence Committee asking whether he could go to the CIA and get a briefing on that. I said, of course; he is an oversight, a member of an oversight committee, that is his right.

And the Senator went there, got the information, proceeded directly to a network television station, and put it all out on how we learned that information.

Now, on that occasion it didn't involve a human being, it could have, and we would be dead. That is irresponsible.

Did the Senate do anything to effect that person's condition? number

Well, I don't want to stress that unduly, because that is as bad. If an administration reacts to that kind of performance by saying there was an example of a breach of integrity, therefore, I will never cooperate with the Senate, that is equally irresponsible. Both have to understand the requirement for maturity and judgment and when it doesn't happen, correct it.

But I think we do have to return, obviously, to a time when the leadership of the Congress truly leads and represents power. And when the President respects his obligations to consult with that leadership and beyond. And I make it sound easy, and it isn't easy. It has to be not just campaign reform, I think making coincidental terms of 4 years for House Members, and the House President would make them far more interested in the President's welfare and of his policies, and of perhaps having 8-year Senate terms. But it isn't for me, a person who is not a government expert to comment on precisely what would improve matters.

I refer to the commission that has been in operation for several years to study, leading to the bicentennial of the Constitution how these matters might—might—might improve our ability to forge foreign policy.

I think the military has a responsibility to do far—a quite better job than they have in dealing with the real threats we are going to have to deal with in the years ahead.

After the terrible trauma to the military they suffered in Vietnam, one would have thought at least they would have salvaged the lesson that, well, the Russians just learned from this war a strategem for expanding their power: guerilla conflict; therefore had we not better learn in the U.S. military something of this conflict and make sure that we have the capability to deal with that kind of struggle, and that we can, but we didn't.

Today the military is oriented, as it has been throughout the postwar period, toward strategic deterrence, but conflict in Europe—and every time some young officer thinks we ought to improve our counterinsurgence capability, that is a hot ticket to being passed over.

Well, I'm going on too long and I apologize for it. I think it can be improved. But it's going to require very, very fundamental reforms and education of the way the Congress and the President deal with each other.

It comes down ultimately to people, and if you have great education and a wonderful electoral process and at the end you haven't elected people of great experience—and experience is more important than anything else—you have got to have a national security adviser who really wants to work with the Congress, and you can find them, the woods are full of them.

Mr. McCLURE. Thank you very much.

Thank you, Mr. Chairman.

Chairman HAMILTON. The committees will take about a 5-minute, 10-minute recess. Then we will resume with questioning by Mr. Courter.

[Recess.]

Chairman HAMILTON. The joint hearings of the two committees will resume their sitting.

Chairman Inouye has a comment.

Chairman INOUYE. Regretfully, I must advise you the U.S. Senate is involved in a minifilibuster as a prelude to our DoD authorization bill involving a series of procedural votes. That will explain why some of the Members have been absent temporarily.

So I hope you will understand and excuse us. I intend to be here during the session all day.

Chairman HAMILTON. Thank you, Senator. It is kind of reassuring to know the Senate has problems, too.

We turn now to Mr. Courter.

Mr. COURTER. Thank you, Mr. Chairman.

Mr. McFarlane, there was a memorandum which has been referred to a number of times in the hearings from Mr. North to Admiral Poindexter commonly known as the diversion memo.

As best we can tell, it was probably written on April 4, 5, or 6 of 1986.

There is a copy of it in the Tower Commission report.

On page B88 of the Tower Report, that indicates that Oliver North was talking about $12 million to be used for the resistance in Central America. I am just referencing that for you.

It is my understanding that you testified that you did not—and I guess there is no reason why you should have seen a memorandum from Oliver North to Admiral Poindexter. But you did not see that memorandum; is that correct?

Mr. McFarlane. I did not, sir.

Mr. Courter. Directing your attention, if you would, to page "B," as in boy, 85 of the same Tower Commission report, there is a copy of a PROF memorandum, a note from Colonel Oliver North to you dated April 7, 1986.

Do you see that?

Mr. Garment. What page was that?

Mr. Courter. Page B-85.

Mr. Garment. "B" as in boy?

Mr. Courter. "B" as in boy, 85.

I am referring to the last full paragraph on the right side of the page and the PROF note to you, Mr. McFarlane, continues on the top of the next page, B-86.

Mr. McFarlane. I have it, yes.

Mr. Courter. OK.

Let me read the applicable part of this. Then I would like to ask you a question.

"Per request of Poindexter, have prepared a paper for our boss which lays out arrangements."

Let me just insert my comment there. It is my understanding that that paper refers to the Diversion memo. I will read on.

> Ghorbanifar indicated that your counterpart in the Tehran meeting would be Rafsanjani. If all this comes to pass, it should be one hell of a show. Meanwhile, we have some evidence that Colonel Qadhafi is attempting to buy the hostages in order to stage a propaganda extravaganza. As farfetched as this may seem, the CIA believes it is a distinct possibility. Bottom line, believe you should avail yourself of this paper at your earliest convenience.
>
> We would like to see you anyway in going home, if I remember the way.

It appears to me by that PROF memorandum that possibly Oliver North is referencing the diversion memo and referencing it in here to you suggesting you should read it before your Tehran meeting.

Is my understanding possible?

Mr. McFarlane. It seems logical to me.

Mr. Courter. Did you read this PROF note from North to you, the one I just read?

Mr. McFarlane. I believe so; yes, sir.

Mr. Courter. Did you do what it said and look at the memorandum that North had prepared for Poindexter?

Mr. McFarlane. No, sir.

Mr. Courter. Thank you.

Your meeting in Saigon—excuse me, in Tehran, was arranged and you went there. Who was with you at the time?

Mr. McFarlane. There was Lt. Col. North; Mr. Howard Teicher, both of the NSC staff; a CIA officer—I don't know if he has been identified—with long experience in Iran; Mr. Amiram of the government of Israel; and two communicators from the CIA.

Mr. Courter. There were some risks involved by your going, was there not?

Mr. McFarlane. Yes, sir.

Mr. Courter. You at that time had been National Security Adviser to the President. We take it from that that you were knowledgeable of United States classified information sources and methods of gathering intelligence, covert activities, and perhaps as well, special access systems that the services may have; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Did you recognize that when you went to Tehran, you yourself may be a perfect target for kidnapping and for torture in order to have this information divulged to other people?

Mr. **McFarlane**. Yes, sir, I did.

Mr. **Courter**. Did that bother you?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Did you think it was wise for someone with your knowledge to go to Tehran under those types of circumstances?

Mr. **McFarlane**. Well, I took it very seriously, Mr. Courter, and it seemed to me that it would be unwise to go unless the person with whom we would deal had sufficient influence to assure the security of the mission and that is why I was concerned about meeting with the highest level officials.

It wasn't a matter of vanity. It was, in part, to assure that that person would have enough power to assure both the security of my people, but the confidentiality of it even taking place.

Mr. **Courter**. Excuse me. go ahead.

Mr. **McFarlane**. That is fine.

Mr. **Courter**. Did you assume that there was the possibility that if you had been captured, that you would have been tortured?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. And you accepted the responsibility knowing that?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Is it too much to say that you were therefore prepared to be tortured and to die for your country?

Mr. **McFarlane**. Yes, sir, I think people that have to be in that situation occasionally make arrangements to deal with it and that is part of the job.

Mr. **Courter**. You said you made arrangements to deal with it. Can you be more specific than that?

Mr. **McFarlane**. Well, it is a little bit of a false bravado, I think. I am confident that I had the means at hand to foreclose my being exploited for intelligence.

Mr. **Courter**. I think I understand what you are saying. You as well put yourself in great risks a number of years before in Vietnam; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Were you not one of those individuals assigned to the U.S. Embassy during the last falling days in Saigon to make sure that the remaining Americans and loyal Vietnamese would be taken out?

Mr. **McFarlane**. Well, sir, I have seen a report of that that I think has been wrong really. My role in the evacuation of Saigon was in the White House and it was to determine when that point had been reached that further evacuations would put at risk our own helicopters and, in short, net losses would outweigh the gains.

And to have landed with the first and been responsible for the ignominious pullout of the last was a very ironic occurrence.

Mr. **Courter**. Shifting your attention to policy in Congress and the United States, Mr. McFarlane, is it safe to say and not misleading to say that our policy, congressional-established policy in Central America has shifted quite dramatically in the past 7 years?

Mr. McFarlane. Yes, sir.

Mr. Courter. In 1978, it was the position of the Congress and the government to support the Somoza government; is that correct?

Mr. McFarlane. Yes, sir.

Mr. Courter. In 1979, it was the position of the Congress, the administration, indeed, to help eliminate Somoza?

Mr. McFarlane. Yes, sir.

Mr. Courter. In 1980 and 1981, the Congress rushed to give the newly formed Sandinista government $10 million?

Mr. McFarlane. Yes, sir.

Mr. Courter. Is that correct?

In 1982, we cut off further aid to the Sandinistas; is that correct?

Mr. McFarlane. Yes, sir; even in 1981, I think.

Mr. Courter. 1981.

In 1983, we allowed $24 million, the Congress, to be used by that organization, the Contras, that were fighting against the Sandinistas?

Mr. McFarlane. Yes, sir.

Mr. Courter. And then we went on revoking further aid and then eventually voted for additional aid to the Contras; is that correct?

Mr. McFarlane. Yes, sir.

Mr. Courter. Is it helpful to an administration in carrying out foreign policy, is it helpful to an administration in dealing with foreign countries, to have a vacillating position in the Congress, eight positions perhaps in 8 years?

Mr. McFarlane. It is absolutely out of the question to have a coherent policy with that kind of change in the legal framework in which you deal. The perhaps central and most important quality of a great power as seen by allies and enemies is constancy, being able to count on commitments once made, whether you're an ally or an enemy.

Now, the fact that we made a commitment in 1981—and you could argue whether it was sensible to do it, but we did it—and then proceed in the next 4 years to have so many changes was very worrisome not only to Contras but to other potential freedom fighters all the way around the world who said, should we risk our necks and go out and try to challenge X, Y, or Z Soviet-sponsored government; it doesn't look like it is a very smart thing to me if we are relying on the Americans.

Now, I have to say if I were in the Congress and I were trying to engage seriously and couldn't get anybody in the White House to meet with me or that they turned up mining a harbor and didn't tell me about it, I'd do the same damned thing; but the reality of changing policies that produced no consensus and demonstrate chaos of the single most important great power in the world, it is a recipe for disaster. We can't let it go on.

Mr. Courter. If you were the leader—this is obviously a hypothetical question—if you were the leader of an emerging democratic country that was moving from the transition of a totalitarian or dictatorship toward democracy, knowing what you know about the

U.S. foreign policy changes, would you feel comfortable in relying on the United States as an ally?

Mr. McFARLANE. No, I wouldn't.

Mr. COURTER. In 1983, actually it was December, 1982, a congressional amendment was passed prohibiting the CIA and Department of Defense from spending any money for the overthrow of the Nicaraguan Government. That was Boland I, and are you familiar with that statute that we passed in December, in 1982?

Mr. McFARLANE. Yes, sir.

Mr. COURTER. That was passed pretty overwhelmingly, was it not?

Mr. McFARLANE. Yes, sir.

Mr. COURTER. Is it your belief that one of the reasons it was passed overwhelmingly is that it made the Congress feel good about prohibiting involvement in Nicaragua and yet didn't say a whole lot because it didn't tie the hands of the administration so very much at all?

Mr. McFARLANE. I think that's a very accurate portrayal, Mr. Courter. But I should say something I should have said earlier. It also sowed the seeds within the executive branch of misleading, I believe, on our part, because in a very surreal interpretation from the Hill, we were told that one of the reasons that that was passed that way was to help us out, and the help was supposed to be contained in our ability to support insurgents as long as they didn't overthrow the government.

And so it led us into a terribly misleading posture of saying, let's go support the daylights out of insurgents whose—we are saying daily in Managua, of course we are going to overthrow the government if we can, and having to pretend that that wasn't the case.

Well, that's wrong of the executive and it is wrong of the Congress. Let's not wink at each other in saying we really did you a favor here, because you can say you are interdicting arms to El Salvador. The administration should have stepped up to it and said to the American people, look, we have a problem here. Maybe we just ought to let Nicaragua go down and wait until it happens in Honduras or Salvador, until people really get stirred up about it. But maybe we shouldn't. Maybe we ought to draw the line here and have a cat fight about it for 6 months on national television and everything else, and you may end up with a policy to go ahead and do something, but do it honestly. Don't sneak around saying we are going to change the government by cutting off arms floating into El Salvador. I mean, it is just nuts.

Mr. COURTER. Is it your feeling that the other amendments that were passed by the Congress were drafted in such a way that once again the Congress felt pleased about barring something but the administration, at least some interpretations within the administration, were such that they could work around them by the nature of the way they were drafted?

Mr. McFARLANE. Yes, sir. Someone, a very wise politician, I began to work with back in the early 1970s used to watch Senator Allen perform on the Senate floor. And after getting beaten several times in a row by Senator Allen on use of procedure and rules, in kind of exasperation, he said, you know, I think in Alabama the first thing they do when they take the baby home from the hospital is teach it the Senate rules because it really can be used effectively. I don't say that pejoratively. He was a master and terribly effective in a positive way.

But we became so preoccupied with how to win a vote to reconsider the motion by which the matter was laid aside that Americans could never understand, you know. That way you could say, I voted for something good, I voted to cut off aid to the Contras, and to let them keep fighting. Wonderful.

Mr. **COURTER**. Your opinion, I guess, is that the Congress enjoys voting "maybe."

Mr. **MCFARLANE**. I am sorry?

Mr. **COURTER**. Does the Congress in your opinion enjoy voting on both sides of the issue, voting "maybe"?

Mr. **MCFARLANE**. Yes.

Mr. **COURTER**. Did they do so in this particular case in your opinion with regard to some of the amendments we passed in Central America?

Mr. **MCFARLANE**. Yes, sir.

Mr. **COURTER**. It seems to me looking at the even most restrictive amendments that were passed by Congress relative to Central America, that they referred—and we have a copy of them on the wall over here—they referred to the fact that no funds are available to certain organizations. I know that Mr. Boland, who asked questions just a few moments ago, said the operable words are "no funds."

I want to ask you whether you think—and I would hold—that the operable words there are "available to," and then you read on.

The question is that if the Congress was true, if the Congress was clear, they would have prohibited money from the United States going to Central America rather than money designated to individual agencies going to Central America; is that correct?

Mr. **MCFARLANE**. I think it is legally correct, Mr. Courter; but—and I think that—in that same context—are ways that I as a person not paid by the NSC could condone doing, not being covered by the law. But I didn't because neither you nor I should engage in this kind of interpretation for convenience, selfserving interpretations.

I mean, it was clear to me, Mr. Boland didn't want anybody in the U.S. Government assisting the Contras. We lost. OK. Don't do it. That's the right thing to do.

But there were people after the vote here saying, well, the CIA can't do it, and the Defense Department can't do it, who were the only people good at doing it, but all the rest of you can do it. Now, that's just not reasonable.

Mr. **COURTER**. But the amendments were drafted in such a way that the prohibition was to, with respect to the CIA, the DoD, the Department of Defense, and other agencies involved in intelligence activities and was not a prohibition on the United States per se?

Mr. **MCFARLANE**. That's correct.

Mr. **COURTER**. I'm just reading an amendment on the Arms Export Control Act, and I think it will clarify what I am trying to say if I am not doing it clearly. There it is—it does say, as follows: "The United States shall not enter into an agreement or spend money."

Mr. McFarlane. Yes, sir.

Mr. Courter. So it seems to me that if we can say the United States shall not do something with regard to one act, we can say the United States cannot do something with respect to another act?

Mr. McFarlane. Yes, sir.

Mr. Courter. The Congress, after Boland I and II, then went on again changing its policy in Central America; is that correct?

Mr. McFarlane. Yes, sir.

Mr. Courter. There was a time that we were saying we prohibited aid from going to agencies involved in intelligence, CIA and DoD, but at the same time there was a very secret intelligence authorization act that had an amendment saying there could be contacts and assistance to the Contras?

Mr. McFarlane. Yes, sir, there was.

Mr. Courter. Was that—did that add clarity to your knowledge of the law?

Mr. McFarlane. No, sir. It just added to the murk. But we were pleased to get more murk.

Mr. Courter. I would like to be more specific, if I may. Directing your attention to the Tower Commission Report— regrettably my copy doesn't have the page on it. Perhaps counsel can find out what page I am referring to.

Page C5 or C6 of the Tower Commission Report—that report says,

> In December 1985 Congress passed two measures. The first, contained in Section 8050 of the fiscal year 1986 Defense Appropriations Act, enacted the Boland prohibition. The second, set out in Section ten 5-A of the fiscal year 1986 Intelligence Authorization Act, authorized classified amounts for communication equipment, training and advice for the Contras.

Mr. McFarlane. C4 or C5?

Mr. Leon. C6.

Mr. Courter. C6.

Reading on,

> The communications and advice provisions introduced substantial uncertainty as to whether any U.S. official, CIA, DoD or NSC staff, could advise the Contras on the delivery or distribution of lethal supplies. First, the provisions were so ambiguous that even the drafters debated their meaning.

And then there is a footnote, footnote number 5, wherein one drafter on the House side has one interpretation of that which the Congress passed and the other drafter on the Senate side had a different interpretation of that which the Congress passed.

Mr. McFarlane. Yes, sir.

Mr. Courter. I read on.

> Second, applicable statutory provisions were contained in an annex, classified and top secret, and developed pursuant to a legislative history, likewise classified. Whether such secrecy was warranted or not, it did not enhance common understanding of the statute.

Do you agree with that statement in the Tower Commission Report?

Mr. McFarlane. Yes, sir.

Mr. Courter. I read on.

> Within the executive branch, interpretations differed. The CIA, in a question for the record (28 January covert action update briefing), concluded that it was not authorized to provide specialized logistics training needed by the Contras. The IOB—

Intelligence Oversight Board—by memorandum of April 8, 1986, provided Admiral Poindexter a classified legal analysis that concluded that under the communications and advice provision, any U.S. agency may lawfully provide basic military training to the Contras so long as such training does not amount to the participation in the planning or execution of military or paramilitary operations in Nicaragua.

Do you agree that amendments were passed in this institution in which the drafters themselves disagreed as to what they meant and that created confusion such that even in the administration there was differing interpretation as to what could legally be done in Central America?

Mr. McFARLANE. There is no question about it, Mr. Courter.

Mr. COURTER. Mr. McFarlane, directing your attention off of the statutes and on to Central America, why do you believe that it is important to assist the Contras in Central America?

Mr. McFARLANE. Mr. Courter, I think that there are several reasons to do that. First of all, it is in keeping with our own history, the roots of our own revolutionary experience, to identify and be supportive of people devoted to pluralism, democracy, aspiring for nothing more than freedom.

But that cannot be, as I think our country was encouraged to think in 1961, an open-ended matter that you do in an idealistic whim or in some place that the U.S. people don't believe is important, like Vietnam. You ought to be circumspect in identifying where such people that are aspiring to democracy are acknowledged by Americans and the U.S. Congress to be important to us.

The past generation has taken us somewhat out of our idealistic phase and into a more realistic awareness that we cannot solve all the world's problems; but where our interests, our security, is affected by the future of a group of people aspiring for freedom, then, yes, we ought to be able to get behind it. And certainly in our own back yard, where our failure could lead to greater Soviet presence or the presence of Soviet surrogates, to the sponsorship of other guerilla movements which could affect Honduras, Guatemala, Mexico ultimately, it ought to be easy to explain that to the American people, and therefore it was probably as good a case as we could find anywhere in the world on which to respond to this Soviet stratagem.

That is the second reason why sponsorship of the Contras made sense. We had just witnessed a 5-year period where the Soviet Union tried out a stratagem of sponsoring guerilla movements that would topple moderate regimes and install their own totalitarian successor, and they had a phenomenal success—from 1975 to 1980, in Angola, Ethiopia, South Yemen, Cambodia, Afghanistan, Mozambique, Nicaragua, and so on.

Now, if in this period in the 1980s where Americans seemed conscious of that trend and were up to doing something about it and decided to pick Nicaragua, if you were sitting in the Kremlin watching this and you had evidence that the United States could not even cope with this phenomenon where it was most important to them—not in Vietnam; right at home—and if you are a Kremlin leader, the precedent—and that is the issue—the precedent of failing where it ought to be easiest to win might well encourage the Soviet Union to continue this stratagem and to pour more money into it, as opposed to other kinds of European orientation or Japanese or Chinese.

Mr. McFarlane. And we might see this phenomena begin to recur again because they could see. We cannot deal with it. And I think that likely within a couple years, more money going into the Philippines, into Pakistan, Saudi Arabia, other places.

So, because on the first point it is morally the right thing to do; second, because it is presidentially important for us to deter this stratagem of the Soviet Union in the future.

But I have to say, Mr. Courter, that though I stand by those reasons and I believe the Congress should be supported, that also want to win, and you must be sure that the instruments of policy you choose in any given area are competent enough to do the job.

Now, that isn't clear. It isn't clear that instead of relying upon Contras, we ought not to have taken it to the American people and said, it is so important that we should quarantine Nicaragua and keep the Russians out of there, and that might have succeeded and it might have failed, but it would have been the application of an option for Americans to consider on its merits, not resort to something you couldn't even talk about that was unlikely to work.

But I think when it comes down to the human angle of it, that unless the United States of America in the late 20th century develops a means ~~to cope~~ with this phenomena of Soviet subversion and carries it to our people and gets Americans to realize why it is important and to come together on a way of dealing with it, whether it involves the freedom fighters and us or just freedom fighters, but consciously enters it determined to win, our decline is certain.

Mr. Courter. You imply, I guess, by your statement that the Soviet Union is aiding and assisting the Sandinistas in Nicaragua. Is that not so?

Mr. McFarlane. Yes, sir.

At a scale that is far orders of magnitude ahead of ours.

Mr. Courter. So the Soviets are spending more money in military equipment in Central America or in Nicaragua than certainly we are in aiding the Contras; is that correct?

Mr. McFarlane. Yes, sir.

Another statistic that is kind of interesting and it goes back 5 years, there are more Russian advisers in this hemisphere than American advisers.

Mr. Courter. How many Russian advisers are there in these hemisphere?

Mr. McFarlane. It is on the order of 50 times as many. I was told it was up on a scale of 2,500 or 3,000 now.

Mr. Courter. ~~In 1983~~—correct me if you think I am wrong on any of these—in 1983, the Soviets, East Europeans and the Cubans aid to Nicaragua was $120 million; in 1984, $250 million; in 1985, $115 million; in 1986, $600 million, a total of almost $1.3 billion between 1979 and 1987.

Is that close on the mark?

Mr. McFarlane. Yes, sir, it is.

Mr. Courter. In 1982, there were 10,000 Cuban advisers in Nicaragua. Was that close to the mark?

Mr. McFarlane. Yes, sir.

Mr. **Courter**. The Soviets have sent to Nicaragua HIND helicopters; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Could you describe what type of a weapon the HIND helicopter is, what it is capable of doing, and whether it is a fairly advanced type of military piece of equipment?

Mr. **McFarlane**. A HIND helicopter is an attack, assault, heavy helicopter that is perhaps the best armed helicopter weapons system in the world.

Mr. **Courter**. Better than ours?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Continue. What you are saying is that Nicaragua has better helicopters than the United States?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Continue.

Mr. **McFarlane**. The HIND is capable of carrying not only troops for assault and rapid mobility operations, but in its own arsenal carries light and heavy rockets, as well as high-speed machine guns of a mixed caliber and can sustain a rate of fire both in defense of itself in support of an assault operations on the ground unparalleled in the world. It is a very imposing system.

Mr. **Courter**. It is my understanding, correct me if I am wrong, not only is the Soviet Union, not only is Cuba, but countries such as Czechoslovakia, North Korea, organizations such as the PLO, Muamar Kadaffi's Libya are likewise helping the Sandinistas in Central America.

Is that your understanding as well?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. In March of 1980, 8 months after the revolution, and correct me if I am wrong, we are talking about the revolution in Nicaragua, Managua. Nicaragua already had formal diplomatic relations with Vietnam, Cuba, Campuchea, North Korea, Libya, South Yemen, and the PLO, as well as every member of the Warsaw Pact; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Is it your understanding that Cuban pilots have flown Nicaraguan planes and helicopters?

Mr. **McFarlane**. I have seen the reports, yes, sir.

Mr. **Courter**. Is it your understanding that PLO pilots are flying from time to time Nicaraguan aircraft?

Mr. **McFarlane**. I have heard that, sir.

Mr. **Courter**. It is my understanding that Samoza had about 14,000 soldiers. Do you know how many soldiers Nicaragua has today, about?

Mr. **McFarlane**. More than 65,000 in uniform, and more militias in reserve.

Mr. **Courter**. Does that make it the biggest military force in Central America?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Does that make it one of the biggest military forces in the Americas?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Exceeded by what countries, to your knowledge?

Mr. **McFarlane**. Cuba.

Mr. **Courter**. And perhaps the United States?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. We hope.

Mr. McFarlane, in your testimony you told Mr. Liman that there were times that you thought that Oliver North might have withheld information from you, and that if he did so you felt that he as doing it to protect you. Do you recall that?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Do you believe that in hindsight it protected you or do you think in hindsight that it exposed you to more risk?

Mr. **McFarlane**. Well, my presence here today would indicate that it probably didn't help. No, sir, I think it is well-meaning, but the wrong thing to do.

Mr. **Courter**. Now, would you, knowing the fact that you were working very closely in the administration, you admire the President very much. Did you withhold, consciously withhold information from the President for the same reasons that you think Oliver North withheld information from you; that is to protect him?

Mr. **McFarlane**. I don't really believe I did. I think it is—it reflects immaturity to not understand if what you are doing puts the President at risk, he had better not do it, but he had better know about anything you are doing that might, and I believe the President was conscious of everything I did that was close to the line.

Mr. **Courter**. Your testimony was that you did not find out about the diversion of money from Iran to Central America until you were standing on a tarmac in Israel after the Tehran meeting.

Mr. **McFarlane**. That is correct.

Mr. **Courter**. And when—refresh our recollection. What date was that?

Mr. **McFarlane**. I am guessing that it was the Thursday of the week in which May 28 falls. I say that only because I remember I was in Teheran on the 28th, and back out on Thursday, I believe, of that week, and I will get it for you, Mr. Courter, but——

Mr. **Courter**. Did you ever tell the President of the United States subsequent to that—obviously you couldn't tell him before because that is when you found out, that there was this diversion of money?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Therefore, as far as you know the President knew nothing about the diversion of money from Iran to Central America?

Mr. **McFarlane**. That is correct, sir.

Mr. **Courter**. Did the President, in your meetings with the President of the United States ever tell you to do something illegal?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Did he ever tell you that what we want to do is to avoid legally passed legislation because there is a greater national interest here?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Did he ever tell you in your operations do something that would be construed to be illegal?

Mr. **McFarlane**. Never.

Mr. **Courter**. Did he ever tell you, to your knowledge, to do anything that you would interpret to be illegal?

Mr. McFarlane. No, sir.

Mr. Courter. Do you believe the President in these affairs also followed the law?

Mr. McFarlane. Yes, I do.

Mr. Courter. Do you think the United States has a legitimate goal in attempting to create relations with some elements in Iran?

Mr. McFarlane. Yes, sir.

Mr. Courter. That was indeed one of the pillars or reasons for the President's policy there, was it not?

Mr. McFarlane. Yes, sir, it was.

Mr. Courter. Do you agree that Israel also wished the United States to have these types of contacts with moderates in Iran?

Mr. McFarlane. Yes, sir.

Mr. Courter. Their behavior would lead one to believe that that was the case, was it not?

Mr. McFarlane. Yes, it was.

Mr. Courter. Do you believe that they are correct in that they want to be able to have relations with more moderate elements in Iran?

Mr. McFarlane. Yes, I do.

Mr. Courter. Do you think it is a correct policy for them as you believe it is a correct policy for the United States?

Mr. McFarlane. I do.

Mr. Courter. Do you believe that the United States should attempt to save Americans that are held hostage and gain their earliest possible and safe release?

Mr. McFarlane. Yes, sir.

Mr. Courter. Is there any shame in a country that wants to do that?

Mr. McFarlane. No, sir.

Mr. Courter. Is there any shame in a President that is concerned about the safety of citizens that have been held against their will month after month, at all?

Mr. McFarlane. Not at all.

Mr. Courter. Do you think it would be appropriate policy for the U.S. Government to try to free those individuals that are held in captivity?

Mr. McFarlane. Yes, sir.

Mr. Courter. What would you think of a country that didn't try?

Mr. McFarlane. It is not worthy of the governance of that country.

Mr. Courter. Was the President of the United States concerned to your own personal knowledge because of your conversations with him, with the safety, not only of William Buckley, but the safety of those individuals in Iran, not Iran but in Lebanon, that were held captive?

Mr. McFarlane. President Reagan has always been profoundly concerned for the welfare of those hostages.

Mr. Courter. Did he indicate to you personally?

Mr. McFarlane. Yes, sir, he did.

Mr. Courter. And did he appear to you as if he were very sincere in his concerns about their safety?

Mr. McFarlane. Very sincere.

Mr. **Courter**. And did he ever indicate to you we wanted to do everything we could, obviously, in order to gain their release?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Did he ever talk to the families, to your knowledge, of these people that were being held hostage?

Mr. **McFarlane**. Yes, sir. Even went out of his way to do so when some of his advisers were saying it would only led to a negative story the President wanted to meet with the hostage families.

Mr. **Courter**. Why would the President feel even upon contrary advice that it was important to meet with the families of the hostages?

Mr. **McFarlane**. He felt a very personal obligation to both demonstrate to relatives his concern for them, but as well to let them know what he knew and give them some basis for hope that we were concerned about him.

Mr. **Courter**. Was the President touched, to your knowledge, or affected by his personal meetings with the families of the hostages?

Mr. **McFarlane**. Yes, sir. He was truly moved. On more than one occasion I recall where when scheduled to visit with hostage families the President would stay well beyond the time allotted and himself and Mrs. Reagan become very, very, very emotional at hearing the grief of the hostage families?

Mr. **Courter**. Were the——

Chairman **Hamilton**. Mr. Courter, excuse me for interrupting you. We have a vote now in the House, and we have gone to about 12:15. We want to resume at 2:00. Would you like to come back and ask additional questions?

Mr. **Courter**. It won't be long but may I come back rather than hurrying?

Chairman **Hamilton**. We don't want to hurry you. If you want to take some time when we return at 2:00 that will be fine. I apologize for the interruption.

The committee then will stand in recess until 2:00 p.m.

[Whereupon, at 12:15 p.m., the hearing recessed, to reconvene at 2:00 p.m., the same day.]

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2:00 p.m., in room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman **Hamilton**. The joint hearings of the two select committees will resume.

When we completed our morning session, Mr. Courter was asking questions and the Chair recognizes Mr. Courter to continue with questions.

Mr. **Courter**. I thank the Chair.

Good afternoon, Mr. McFarlane.

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. This morning, Mr. McFarlane, I asked you questions and asked you whether you had seen a memorandum which was prepared by Oliver North and sent to Mr. Poindexter. That was the one that was in the Tower Commission on "B," as in boy, 86, and the one that references some millions of dollars as being potentially diverted from Iran to Central America, and I would like you just to make sure which document we are referring to.

Mr. **McFarlane**. Yes, sir. I am familiar with it.

Mr. **Courter**. It is your testimony you did not read that document. It goes a number of pages, does it not?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. What is your testimony with respect to the President's knowledge on this memorandum? Do you know if the President saw it?

Mr. **McFarlane**. I have no indications that he did.

Mr. **Courter**. The President never indicated to you that he had seen it?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Is it addressed to the President or is it addressed to Mr. Poindexter, Admiral Poindexter?

Mr. **McFarlane**. If I recall correctly, the recommendation was that the President approve what had been described in the memo, and normally that would imply that the recipient, Admiral Poindexter, briefed the President on it and got his approval in an oral fashion.

That is not common. Usually there is what is called an action memo that follows it that is written from Poindexter to the President so that he can have a hard copy and read what it is he has approved.

Mr. **Courter**. Have you ever or did you ever hear either Colonel North or Admiral Poindexter say that the President said he saw this memorandum?

Mr. **McFarlane**. No, sir. I did not.

Mr. **Courter**. To your knowledge, the President did not see it?

Mr. **McFarlane**. Not to my knowledge.

Mr. **Courter**. Mr. McFarlane, you testified yesterday, this morning, yesterday and the day before, about the fact that it was your opinion that the Boland amendments, particularly the more restrictive of those amendments, applied to the National Security Council; is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. Is that a personal opinion of yours?

Mr. **McFarlane**. Yes, sir.

Mr. **Courter**. It is your personal opinion?

Mr. **McFarlane**. Yes, it is.

Mr. **Courter**. That opinion is not based on the advice of any type of legal counsel, is it?

Mr. **McFarlane**. No, sir.

Mr. **Courter**. Now, is it—I assume it is not your responsibility to legally advise the National Security Council even while you are the Director of the National Security Council.

Mr. **McFarlane**. It is my responsibility to make sure that my staff obeys the law. There is a general counsel who is to support me in that function and to bring to my attention any legal implications for the NSC staff.

Mr. **Courter**. Do you think it would be appropriate for an administration to set up an organization that reviewed legislation that involved intelligence and the activities of agencies that were involved in intelligence activities to independently determine whether those activities were legal and consistent with legislation?

Mr. McFARLANE. Yes, sir. I have always believed that that was one of the functions of the Intelligence Oversight Board, which was set up in the wake of the Church and Pike Committee investigations.

Mr. COURTER. I was trying to get at that. Was then a board such as that set up?

Mr. McFARLANE. Yes, sir, it was, about 10 years ago.

Mr. COURTER. And I am going to read to you an executive copy or statement of an Executive Order 12,334, and see if you feel that this basically defines the President's Intelligence Oversight Board, which was designed to do specifically what you think is correct and probably what we all feel would be appropriate.

> By the authority invested in me as the President of the Constitution and the statutes of the United States of America and in order to enhance the security of the United States by assuring the legality of activities of the intelligence community, it is hereby ordered as follows—

and what follows is the creation of the President's Intelligence Oversight Board.

Is that logical to you?

Mr. McFARLANE. Yes, sir.

Mr. COURTER. And it was your understanding that the purpose of the Intelligence Oversight Board was to precisely interpret the legality of past statutes to determine whether administration action would be consistent with them.

Mr. McFARLANE. Yes, sir.

Mr. COURTER. To your knowledge, did the Intelligence Oversight Board review or look at the Boland amendment and also at the same time give an opinion to the National Security Council on the Boland amendment?

Mr. McFARLANE. I have learned in recent months that they did, yes, sir.

Mr. COURTER. When you were the Director of the National Security Council, you were unaware of the legal memo, and you are now aware of it. Is that what you are saying?

Mr. McFARLANE. That is correct, yes, sir.

Mr. COURTER. Is it your understanding now that this particular board, which was created for the purpose of rendering legal advice to the various agencies, that the President had involved with intelligence wrote, in fact, a memo to Oliver North?

Mr. McFARLANE. I understand that that is true, yes.

Mr. COURTER. And what is your understanding now of what that memo said with regard to the Boland amendment and whether it applied and covered the National Security Council.

Mr. McFARLANE. I believe it is two salient points are that the memo does not apply, although it raised a potential possibility, and that was that members of the military, the Department of Defense detailed to the National Security Council might indirectly be prescribed and left that question open, I believe.

But the second point, I believe, would be its judgments, which was in the memo, was that none of Lt. Col. North's activities had been illegal.

Mr. Courter. Now, sir, you are saying two things, and correct me if I am wrong because I think it is very crucial. Number 1, you are saying there was an area that was hazy and this legal memo mentioned that with regard to construing the Boland amendment, and, number 2, they said specifically that the National Security Council was in fact not covered by the Boland amendment.

Mr. McFarlane. That is correct, sir.

Mr. Courter. And it is your testimony that this organization, this commission was set up to do the very job of interpreting legislation and guaranteeing that the activities of the executive branch was consistent to that legislation?

Mr. McFarlane. That is correct, yes, sir.

Mr. Courter. Is there any reason why this legal interpretation as to whether the Boland amendment applied to the National Security Council was not shown to you?

Mr. McFarlane. I don't know, sir.

Mr. Courter. Now, even though it is the opinion of the organization, the attorneys in the organization, that are set up to determine consistency with legislation, even though it is their written opinion that Boland did not apply to the National Security Council, your testimony is that you believe it does.

Mr. McFarlane. Yes, sir, I do. It was more a common sense judgment that whether or not a scholarly reading of the law might have exempted NSC staff members, my own hearing of congressional sentiment led me to conclude that intent. The intent of the Congress was that one carry out activities prescribed by that act. No one in the government.

Mr. Courter. Is it your understanding that that legal memo that, in essence, told Oliver North that the NSC is not covered by Boland, is it your understanding that that memo was found in a safe that was under the control of Oliver North?

Mr. McFarlane. Yes, sir.

Mr. Courter. Directing your attention to what we were discussing this morning, you indicated that there is indeed a great deal of Soviet activity in Central America. Is that correct?

Mr. McFarlane. Yes, sir.

Mr. Courter. And that they, the Soviet Union, and their allies have in fact shipped more military equipment to Central America than we have.

Mr. McFarlane. Yes, sir.

Mr. Courter. Now, could I conclude by that that the Soviet Union is doing more in order to establish a totalitarian government in Central America than we are trying to promote democracy in Central America?

Mr. McFarlane. Surely, their military activities are better funded than ours. That's true.

Mr. Courter. I have no further questions. Thank you, Mr. Chairman.

Chairman Hamilton. We have now completed the questions by the principal questioners, and we turn now to other members of the panel. The Chair would like to request that the Senators and Members make every effort to limit their questions to not more than ten minutes. Restraint would be very much appreciated so that we can move on, and we begin with Chairman Inouye.

Chairman **Inouye**. Thank you very much. I'll try my best to stay within the 10 minutes.

I would like to briefly review the events of recent years. In fiscal 1984, that's the period October 1, 1983, to September 30, 1984, the Congress appropriated $24 million for military assistance to the Contras. However, sometime between December of 1983 and February of 1984, the CIA began covertly laying mines in a Nicaraguan harbor, without notification to the Congress or without approval of the Congress.

In about April of that year, 1984, this covert operation became public, resulting in a political firestorm on the Hill. And I believe most observers of the Congress predicted that this was the end of Contra aid military assistance. And, sure enough, when the pressure came up for consideration, Boland II was enacted.

During this period, and I'm certain you are referring to this, you had this to say in your opening remarks.

> In the meantime, the President repeatedly made clear in public and in private that he did not intend to break faith with the Contras. He directed that we help them hold body and soul together until the time when Congress would again agree to support them. Congressional restrictions made it impractical for either the Defense Department or the Central Intelligence Agency to function even as liaison with the Contras. The State Department has also been disinclined to be associated with the covert action. But the President had made clear that he wanted the job done,

and by this job I assume it is a covert action.

"The net result was that the job fell to the National Security Council."

Whose decision was it to assign the National Security Council to do this covert action?

Mr. **McFarlane**. I suppose it was mine, Mr. Chairman.

Chairman **Inouye**. You decided to leave DOD and CIA and the State Department out of the picture?

Mr. **McFarlane**. In your thesis you said, who decided to assign to the NSC staff the mission of holding body and soul together and holding the continuity of the movement. The President's stated goal is something that each of his cabinet officers is obliged to support to the extent they can, and given that the law foreclosed supporting the President's goals by the Secretaries of Defense, the DCI and putatively the State Department, there's no one else left.

Chairman **Inouye**. And I would presume from your responses to Congressman Boland that you advised the President on whatever you were doing.

Mr. **McFarlane**. Yes, sir.

Chairman **Inouye**. Now, going to the next page, you say,

> I did make a special point of stressing to my staff that we were to operate at all times within the law and that in particular we were not to solicit, encourage, coerce or otherwise broker financial contributions to the Contras. I took this to be the Congress's foremost concern.

By that, am I correct to presume that you considered the solicitation of funds to be illegal?

Mr. **McFarlane**. Yes, sir.

Chairman **Inouye**. "In this instance, as in all others, the rule of law had to govern national policy as well as our actions in support of it." I would like to look into the matter of solicitation.

When the President was notified of the first contribution from Country Two, that is in July of 1984, of $1 million a month, did the President object, or was he shocked by this news?

Mr. McFarlane. No, sir. I took the reaction to be one of gratitude and satisfaction.

Chairman Inouye. Now, we come to the second contribution which came about during the Boland-2 period, March of 1985. This came from Country Two again.

Did the President object to this?

Mr. McFarlane. No, sir. His reaction was essentially the same as it had been in 1984.

Chairman Inouye. By prior arrangement and agreement with the administration, we have tried our best not to identify Country Two. But Country Two is about 12,000 miles from Nicaragua; isn't it, half way around the world?

Mr. McFarlane. Yes, sir.

Chairman Inouye. In fact, Country Two doesn't consider Central America as being essential; in fact, it has no diplomatic relations with any country in Central America, isn't that correct?

Mr. McFarlane. That is correct, sir.

Chairman Inouye. Would it be correct to say that Country Two has never been threatened by the Sandinistas?

Mr. McFarlane. Mr. Chairman, I think your point is quite right. I don't rebut it, but note for the record that Country Two is in the immediate environs of another country on which we cooperate in an analogous fashion. And that country doesn't threaten us, it is 12,000 miles away.

But we do it because we see a national interest in it, and they are not analogous quite, and yet it doesn't seem to me unreasonable that they might see the mutuality of benefits served by cooperation, generally.

Chairman Inouye. Now, there is an organization in that area called the Palestine Liberation Organization, the PLO?

Mr. McFarlane. Yes, sir.

Chairman Inouye. The PLO has publicly supported the Sandinistas?

Mr. McFarlane. Yes, sir.

Chairman Inouye. And Country Two has been extremely sensitive to the policies of the PLO?

Mr. McFarlane. Yes, sir.

Chairman Inouye. In fact, at times deathly afraid of the PLO?

Mr. McFarlane. I think that is true, yes, sir.

Chairman Inouye. And yet Country Two decided to provide assistance to the enemies of the Sandinistas?

Mr. McFarlane. Yes, sir.

Chairman Inouye. Has Country Two ever contributed to the Contras prior to the first contribution?

Mr. McFarlane. I know of no prior contribution, sir.

Chairman Inouye. And it is true that the well-being of Country Two is very much dependent upon good relations with the United States?

Mr. McFarlane. Yes, sir.

Chairman Inouye. They receive much of their arms, they purchase much of their arms, sophisticated weaponry from the United States?

Mr. McFarlane. Yes, sir.

Chairman Inouye. And we happen to be, I think, their best consumer for their products?

Mr. McFarlane. Yes, sir.

Chairman Inouye. Don't you believe that under those circumstances, when an official of the government of the United States would go to the Ambassador of Country Two and say that the President looks upon the Contras as a high priority matter, that assistance to this country is very essential to us, that it would be much more than a mere solicitation?

Mr. McFarlane. I think, Mr. Chairman, that any responsible official has an obligation to acknowledge that every country in the world will see benefit to itself by ingratiating itself to the United States.

And because that's true, every diplomat has to be very cautious about seeking a favor from anyone, because they will certainly gain leverage on us through that process.

Chairman Inouye. In fact, would you say that Country Two was literally forced to make this contribution?

Mr. McFarlane. In no sense, no, sir.

Chairman Inouye. You described this as a solicitation per se, I believe.

Mr. McFarlane. No, sir, I have not.

Chairman Inouye. In your testimony I think you used that phrase, "solicitation per se."

Mr. McFarlane. I may be in error. I thought I said it was not per se a solicitation.

Chairman Inouye. I ask you because in your statement you made it very clear to your staff that they shall not solicit, encourage, coerce or in any way broker financial arrangements with other countries.

Mr. McFarlane. Yes, sir.

Chairman Inouye. And your response was solicitation was illegal?

Mr. McFarlane. No, sir. I do think it's important, Mr. Chairman, first of all, to make clear that prior to October of 1984 it was not illegal, although I did not do it anyway. And when I instructed my staff not to solicit, encourage, coerce or broker was when it became illegal to do so, in October of 1984.

Chairman Inouye. Contribution number two was after October 1984, wasn't it?

Mr. McFarlane. Yes, sir, it was.

Chairman Inouye. So that was illegal?

Mr. McFarlane. If it had been solicited, it would have been.

Chairman Inouye. And are you still maintaining even under those circumstances it was not a solicitation?

Mr. McFarlane. I do, sir, and I believe that were it feasible for the country to—officials to comment, that they would do so.

Chairman Inouye. You, in response to my inquiry, used the word that the countries would be wise to ingratiate themselves. That's the word you used, didn't you?

Mr. McFarlane. Yes, sir.

Chairman Inouye. What was the quid for the quo in this case?

Mr. McFarlane. I don't believe there was any quid, Mr. Chairman. We were vulnerable to the possibility that one day a quid pro quo would be asked or urged. But, to my knowledge, none occurred.

Chairman Inouye. No special sale of certain weapon systems?

Mr. McFarlane. No, sir. And I have seen stories to that effect, and I believe it may be perhaps useful to set the record straight. For example, in June of 1984, before this meeting with the foreign official occurred, we were travelling—the President, Secretary of State and I—to London for the economic summit and, as you may recall, at the time Iran was posturing about what it might do to interdict the flow of shipping in and out of the Gulf, and a country in the area asked whether we might be of assistance, and the President made a decision to allow an emergency shipment under his authority in law to that country. We did so.

There had never been any discussion of this separate Contra issue with that country.

Chairman Inouye. What was the quid for the quo in the case of the recently found $10 million?

Mr. McFarlane. I don't know, sir. I was not in the government when that occurred.

Chairman Inouye. No one has ever advised you what the quid was for this quo?

Mr. McFarlane. No, sir. I don't know.

Chairman Inouye. Did you feel that it was your duty and responsibility to report to the President on the first contribution?

Mr. McFarlane. Yes, sir.

Chairman Inouye. On the second contribution?

Mr. McFarlane. Yes, sir.

Chairman Inouye. did you also feel that he, the President, should be notified because of his deep concern for the body and soul of the Contras?

Mr. McFarlane. Yes, sir.

Chairman Inouye. That he would be interested in any sort of assistance?

Mr. McFarlane. Yes, sir.

Chairman Inouye. If that is the case, why wasn't he notified about the diversion?

Mr. McFarlane. Again, Mr. Chairman, I don't know. I wasn't in the administration at the time. I operated under the assumption that he had been or at least that the decision to do it was approved as part of the normal process, and I was wrong, but I didn't know that.

Chairman Inouye. If you were in charge at that time, would you have notified the President of the diversion?

Mr. McFarlane. I would not have allowed the diversion to occur.

Chairman Inouye. Assuming that it did?

Mr. McFarlane. Yes, sir, I would.

Chairman Inouye. Did you during your term as director advise the President of some of the extraordinary activities of Colonel North?

Mr. McFarlane. Well, I think I did make clear to the President that Colonel North was a very—a very tireless, hard-working, devoted officer. That is true.

Chairman Inouye. I notice that my time is up, and I want to set an example for the rest of my colleagues. I still have 60 seconds left.

On line 1122 of your testimony on page 50, "Again I don't wish to pretend or be disingenuous. There was some solicitation per se."

Thank you very much, sir.

Mr. McFarlane. I would like to take advantage of your mention of it, Mr. Chairman. That sounds to me like either I have not been very articulate or it was mistranscribed, but I appreciate your bringing it to my attention.

Chairman Inouye. Mr. Cheney?

Mr. Cheney. Thank you, Mr. Chairman.

Mr. McFarlane, it has been a long 3 days, I know, and your testimony has been very helpful to the committee and I know there are a great many of us who want to thank you not only for your cooperation here today, but for your past service to the country.

I will be very brief. I think much of the material I was interested in was covered this morning, and I thought the broader questions you mentioned, the broader issues you mentioned in your opening statement that you would like to cover, I think have been well covered this morning, especially in terms of the congressional contribution to the confusion that has existed over Central American policy.

I just have a couple of points I would like to touch on.

One of the charges that has been made is that once we set up, once the administration set up or cooperated with, if you will, or acquiesced in a private support network such as that described by General Secord, that somehow this involved participants in the usurpation of authority, that they were taking authority unto themselves that belonged to the National Security Council members, the Secretary of State, or the President, and somehow carried out a policy that was in conflict with administration policy.

Could you comment on that view?

Mr. McFarlane. Sir, it seems to me that the activities that are reported to have occurred through this outside network included providing financial assistance, military assistance and weapons, perhaps training, transportation, intelligence, basically the family of support essential to the promotion of their own defense and to creating pressure on the Sandinista government, both of which are policy objectives of the United States.

It seems to me they were consistent with U.S. policy.

Mr. Cheney. That certainly was my conclusion from the facts as we know them today as well.

What is your general feeling, if you would care to state it, about the way Colonel North and Admiral Poindexter were treated last November once all of these developments became public?

Mr. McFarlane. Well, it seems to me that they were treated improperly in the sense that having delivered devoted service and before I think there could be clear, conclusive evidence of illegal activity, they were rather summarily put aside; and I believe that that cast an image over them that they did not deserve.

Mr. CHENEY. With respect to the private venture, if you will, especially concerning support for the Contras, some of us who are strong supporters of the Contras and who have worked with you when you were in your official capacity at the White House and with others over the years to try to build public support for the Contras and congressional support, who were delighted when Congress reversed itself last year and approved military aid, nonetheless are faced with a bit of a dilemma.

On the one hand, I think we are pleased, certainly speaking for myself, pleased that the Contras survived that interim period when the Boland amendment prohibited official U.S. military support, that they were there to be supported in 1986 when Congress reversed itself and repealed the Boland amendment, but on the other hand, concerned that private action which made it possible for them to survive may also have generated the kind of controversy and opposition that we are faced with today—such that we will find it difficult to get congressional approval for any extension of that support.

Was that issue ever discussed within the administration? Was there ever any consideration of the possibility of a tradeoff between short-term survival for the Contras and the possibility of the long-term congressionally approved policy of support?

Mr. MCFARLANE. There wasn't, Mr. Cheney, and there should have been, but there wasn't.

Mr. CHENEY. No discussion of the possibility of what would happen if the private efforts were disclosed?

Mr. MCFARLANE. No, sir.

Mr. CHENEY. Would you have any reason to believe that those kinds of facts might have been considered by somebody else other than yourself; certainly you would have been involved in such a discussion had it occurred, I would think?

Mr. MCFARLANE. Well, I did give it quite a lot of discussion—or personal reflection, but i couldn't say there was discussion between me and the President, or the Chief of Staff.

Mr. CHENEY. Did you assume the activity could be kept secret?

Mr. MCFARLANE. I thought it unlikely that it could be permanently kept secret. number Few things can.

Mr. CHENEY. A final general category, and I will do my best to beat Chairman Inouye's record for time here this afternoon. Do I get points for that, Mr. Chairman?

The Tower Commission made a number of recommendations, a series of findings, but also I think, in one of its most significant sections, argued rather persuasively, in my opinion, against the notion that somehow these events require us now to legislate new restrictions on the Presidential power authority.

In effect, the Tower Commission seems to say rather forthrightly that the last thing Congress needs to do is now to move in and try to write legislation that will somehow prohibit this kind of event from ever occurring again. I would be curious as to what your views are on that subject.

Do you think that the committee, based upon your extensive experience in government, ought to come forward with some new recommendations, some new limitations on a President's power to undertake covert action?

Is that sort of thing appropriate in light of the events that have occurred?

Mr. **McFarlane**. Mr. Cheney, I think that it is very understandable why the Congress at this point would take that approach. We have had an horrible breach of relationship between the Executive and the Congress and because the only instrument at the disposal of Congress is to write legislation, that is the natural tendency.

I think it is the wrong one for it has been the trend toward seeking to limit or influence policy in some fashion by law that has created a condition of inflexibility that blocks out the various kind of flexibility that is so essential to effective diplomacies and even the use of force, nonviolent or otherwise.

What to do? I think the Executive must judge error and beyond that, instead of doing the same thing, seek earnestly to engender the kind of mutually respectful discourse that can lead us to foreign policy that both branches can, if not endorse, accept. That ultimately requires that the human beings charged with doing that indeed respect the value of that process and in habit practice it and it will be a giant test of statesmanship on the part of the Congress, whether they can resist the understandable impulse to move in a legislative direction, but I think it would be very unwise to do so.

Mr. **Cheney**. Thank you very much for your testimony.

Mr. Chariman, I have no further questions.

Chairman **Inouye**. Senator Rudman?

Mr. **Rudman**. Thank you, Mr. Chairman. I will try to abide by the chairman's clock which I thought might be a Hawaiian clock and take a tick a bit more slowly. I see it ticks 60 seconds to the minute.

Mr. McFarlane, I just want to go over three or four items of testimony you have testified to. I would like to be brief in my questions. If you could be brief in your answers, I will try to phrase them in such a way.

First, to follow on Representative Boland's examination of you earlier today. He asked you a question at the end of a long series of questions and the question was did you ever give the President reports on what you and your staff were doing to carry out his wishes. Your answer to that, I think you recall.

My question is based on your general testimony here that you did have concerns about whether Colonel North was crossing the line that you had set for your people, did you ever inform the President of North's activities to the extent that there were some activities that you were concerned might be crossing the line?

Mr. **McFarlane**. I remember that I was periodically concerned about the almost certain temptation to raise money that would come up when ever Ollie would go out and talk to groups throughout the country.

It would have been silly not to expect that that would happen and so I would mention occasionally that Ollie was doing quite a lot of speaking around the country and it was clear there was a lot of sentiment in support of the Contras, but that was proscribed and we had to be very careful not to do that. I was telling the staff not to.

Mr. **Rudman**. I guess my question is did you ever give the President any cause for alarm, in his mind as the President, that people who worked for him might be doing things proscribed by the Congress?

Mr. McFARLANE. No, sir. The President, in fact, would often provide his own views on that subject generically, and there is no doubt in my mind that he had a far more liberal interpretation of that than I did, I think. But that I was making sure that things as far as I knew or could tell didn't go beyond the law.

Mr. RUDMAN. All right. On a separate matter, testifying in the afternoon of the first day of your appearance here, you were asked by Mr. Liman about the conflicts in policy within the administration with the Congress.

You were asked a question about that conflict. You answered, it was a fairly long answer. Let me just read to you the appropriate part at the end of that answer.

You will remember the context, I know. You said, "And the State Department is basically indifferent about it. Although I would have to say Mr. Abrams was not indifferent about it."

Then you go on. What did you mean by that and what was Secretary Abrams involvement on any kind of a basis with Colonel North and what was going on here considering that they both were part of the RIG, to use the acronym.

Mr. McFARLANE. I made the comment not on the basis of expert knowledge so much as not to appear to be flaccid given all of the public reporting on the high degree of Mr. Abram's activity in recent times. Actually he did not serve for very long when I was in office, so we had no really coterminous period for me to reach judgment about that. He was Assistant Secretary for Human Rights when I was in office.

Mr. RUDMAN. So you have no specific knowledge of his specific activities as they relate to activities that were carried on by Colonel North?

Mr. McFARLANE. No, sir, I don't really. There was a very brief window where he was in office, and I respect the man. I think he is a very solid analyst.

Mr. RUDMAN. The next question I have relates to your 3-by-5 cards that you would occasionally put in the President's briefing book. That raised a very interesting question in my mind.

Mr. McFarlane, when you were the National Security Adviser, did you ever have difficulty in seeing the President one-on-one to talk about things you wanted to tell him that you wanted no one else on the staff to hear about?

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. And who was it that made it difficult for you to see the President one-on-one?

Mr. McFARLANE. Sir, there are aspects of that that I think—and I'm not being silly about it. Some of the nature of what it is important, but what I have direct access to the President about is sensitive. I would be glad to pursue it in closed session.

Mr. RUDMAN. What I am asking you we don't need a closed session about. I know you have been very polite and careful not to offend people who don't deserve being offended.

My question is kind of direct. I expect a rather direct answer. I'm asking you, as the National Security Adviser to the President of the United States, who on his staff kept you from seeing the President one-on-one any time you wanted to? No one can criticize you, Mr. McFarlane, for answering a direct question posed by a congressional committee under oath.

Mr. McFARLANE. I'm trying to be objective and I think that I cannot cite you an example when I was ever denied access to the President when I wanted it.

Mr. RUDMAN. So you will change your previous answer given three questions ago? You will now answer that you were not denied access to the President of the United States when you wanted to see him as National Security adviser to talk to him one-on-one?

Mr. McFARLANE. No, sir. My intention is to express that I knew that there were limits and that I shouldn't exceed those limits and I didn't exceed those limits, and I think probably that that is appropriate that there be limits.

Mr. RUDMAN. Let me ask you just one last question. Did the Chief of Staff of the White House, Mr. Reagan, occasionally make it difficult for you to see the President one-on-one whenever you wanted to see him?

Mr. McFARLANE. I wouldn't say that that is a general practice.

Mr. RUDMAN. Glad to have that on the record. That's not the popular notion.

I have a last question which I have about two and a half more minutes. So I am going to go through it rather quickly. But it is important. So I will just make statements here and ask if you would agree they are right.

You are familiar with exhibit 38A involving the DEA caper?

[The exhibit appears at p. 537.]

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. That describes a plan to bribe some people to free two hostages for a million dollars apiece?

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. You approved it?

Mr. McFARLANE. The Attorney General approved it.

Mr. RUDMAN. And the Attorney General approved it. You both approved it.

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. Did it involve the use of a couple of agents and ransom money to be supplied by Ross Perot, if he was wiliing to provide it?

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. Was that an intelligence activity? And if it wasn't, what kind of an activity was it?

Mr. McFARLANE. Well, it wasn't intelligence in the context of gathering intelligence. It was within the scope of the 1947 Act concerning the CIA.

Mr. RUDMAN. It was within that scope, was it not?

Mr. McFARLANE. I think it was.

Mr. RUDMAN. In fact, Oliver North tried to carry this out, which was a policy that had been approved by you. In fact, there was $200,000 used to try to start the process?

Mr. McFARLANE. That's correct.

Mr. RUDMAN. On the face of that memoranda, there is an acknowledgement that the Attorney General of the United States, Mr. Meese, whom you probably discussed it with since DEA was under his jurisdiction, approved it?

Mr. McFARLANE. Yes, sir.

Mr. RUDMAN. To your knowledge, was a finding ever signed for this activity?

Mr. McFARLANE. No, sir.

Mr. RUDMAN. Were congressional committees, House or Senate Intelligence Committees ever notified of this activity?

Mr. McFARLANE. No, sir.

Mr. RUDMAN. Should they have been?

Mr. McFARLANE. No, sir.

Mr. RUDMAN. Tell me why.

Mr. McFARLANE. I will. It is more than passing strange to me that we cannot aspire to a policy which is more effective to deal with terrorism.

Now, it is undeniable that some countries are good at it and they are good because terrorists know that whenever they commit terrorism against Israel, something, somehow, somewhere is going to happen. Now, it may not always be arms. It may not be pre-emptive attack. It may be negotiation. It may be bribing, but you can be goddammed sure if any Israeli is caught, he's going to have his government going after people who did it. Now, that is to be a differentiated approach.

Now, I don't pretend that in the United States we can pursue that. The reason we cannot is because we must have a policy at all times compatible with American values. And I agree to that. But I believe that our government must have the gumption enough to be able to differentiate between those terrorist events which are susceptible to violence and those which are not.

Mr. RUDMAN. So if I understand your answer, it fell within the parameters of the act. There was no finding, but you believe it was so sensitive that there should not have been a notification, though the law might have required it?

Mr. McFARLANE. No, sir. I don't feel that way at all. You are distorting what I said.

Mr. RUDMAN. I am just repeating your answer.

Mr. McFARLANE. I don't think you are. My answer was the kind of activity the DEA people undertook normally would also fit the description of activities the CIA undertakes or the FBI or the Army on occasion with special trained units.

None of those others opt to report to the Congress either. My point was simply to say——

Mr. RUDMAN. So your suggestion was if there is ambiguity in that law, the law ought to be changed?

Mr. McFARLANE. That wasn't my point.

Mr. RUDMAN. Your point was that a finding was required. There was no finding. There was no notification.

Mr. McFarlane, I am not being critical. I am trying to find out——

Mr. McFARLANE. It was handled by the CIA.

Mr. RUDMAN. There was a finding?

Mr. McFARLANE. There was no finding.

Mr. RUDMAN. I think we have your answer.

Mr. McFarlane. A finding was not appropriate. The CIA did not undertake to do anything.

Mr. Rudman. Of course, that would always give rise to the possibility that things that the CIA might normally do might be delegated to some other part of the government by people who are unscrupulous. Certainly not you, Mr. McFarlane, but others who might be unscrupulous might delegate it to someone, and therefore evade the reporting requirements.

I am sure that is something that concerns you as much as it does us.

Mr. McFarlane. It does, yes, sir.

Mr. Rudman. Thank you very much.

Chairman **Hamilton.** The chair recognizes the Vice Chairman of the House Select Committee, Mr. Fascell.

Mr. Fascell. Mr. McFarlane, you stated earlier, I believe, that you didn't know anything about the letter that went under your signature on November 19, 1985, to General Secord; am I correct?

Mr. McFarlane. With your indulgence, Mr. Chairman, Chairman Hamilton, I apologize for my intemperance, and Mr. Rudman, as well.

Would you repeat that, Mr. Chairman?

Mr. Fascell. Sure. November 19, 1985, a letter under your signature was sent to General Secord, and I believe you testified earlier you were not aware of that letter.

Mr. McFarlane. No, sir, I was not.

Mr. Fascell. The testimony was that it was signed by Colonel North. Did you authorize Colonel North to sign documents in your name?

Mr. McFarlane. No, sir. There were two people, I believe, who were authorized to sign in my absence—the executive secretary, and Admiral Poindexter. I have no recollection of this being something that was discussed. I wouldn't pretend, that if Ollie and I discussed something, and he said, "Can I say you did this?" we didn't do that occasionally. But I don't recall any such thing here.

Mr. Fascell. As a general practice it would not be up to Colonel North to sign documents using your name. It would be your deputy or designated individual?

Mr. McFarlane. Yes, sir.

Mr. Fascell. Now, the purpose of that letter was to ask General Secord to—once again help out. As a matter of fact, he had been helping out since the summer of 1984 as it turns out according to the record?

Mr. McFarlane. Yes, sir.

Mr. Fascell. In a variety of things. And let me ask you this: during your time in office, who did you take your instructions from?

Mr. McFarlane. From the President and from the National Security Council in formal session.

Mr. Fascell. On a day-to-day basis, besides meeting with your staff at the 7:30 in the morning meeting, did you have any other regular meetings?

Mr. McFarlane. Yes, sir. We had a weekly meeting on Wednesday afternoon of the entire staff.

Mr. **Fascell**. With respect to the transfer of arms to Iran, it is quite clear, at least to me, from the record that this was a national policy?

Mr. **McFarlane**. Yes, sir.

Mr. **Fascell**. And while it was necessary in the judgment of the administration to keep that a secret, there was nothing illegal about that in your mind, was there?

Mr. **McFarlane**. No, sir.

Mr. **Fascell**. Now, did Colonel North have the responsibility both for the Iran account and the Contra account in the NSC?

Mr. **McFarlane**. He did not have the Iran account in the context of being the Middle East—a member of the Middle East task force. He was assigned this part of the Iran account in connection with counterterrorism and so forth.

Mr. **Fascell**. An additional operational responsibility?

Mr. **McFarlane**. Yes, sir.

Mr. **Fascell**. Was that your sole decision or was that an NSC decision, or how was that decision made?

Mr. **McFarlane**. It was my decision, sir.

Mr. **Fascell**. Was that with or without the concurrence of the CIA?

Mr. **McFarlane**. They were fully witting of it and without opposition, to my knowledge.

Mr. **Fascell**. Now, Colonel North—did he have full authority to call on any agency of the U.S. Government for any help he sought?

Mr. **McFarlane**. No, sir. He was responsible for checking with myself or Admiral Poindexter before doing that.

Mr. **Fascell**. So that if he called on the CIA for some kind of assistance, that would be a matter of approval within the NSC itself, or at least top echelon?

Mr. **McFarlane**. Yes, sir.

Mr. **Fascell**. And if he called on DoD?

Mr. **McFarlane**. Yes, sir.

Mr. **Fascell**. Now, in the provision of the weapons that were actually transferred to CIA that decision was an NSC decision, was it not?

Mr. **McFarlane**. Yes, sir. It is after I left government, but I have read that it was.

Mr. **Fascell**. Now, you were a director from what, sometime in 1983 until December 31 of 1985?

Mr. **McFarlane**. Yes, sir. October 1983 to December 1985.

Mr. **Fascell**. You've taken an unusual share of responsibility, it seems to me, for what has transpired here in these events; yet it is your conviction that as far as the policy is concerned with respect to the transfer of arms to Iran, there was nothing illegal about that?

Mr. **McFarlane**. No, sir.

Mr. **Fascell**. And you are prepared to take the full responsibility, as I understand, for whatever went wrong?

Mr. **McFarlane**. Yes, sir.

Mr. **Fascell**. Whatever that was, but you didn't leak the story?

Mr. **McFarlane**. No, sir.

Mr. **Fascell**. So from the standpoint of policy, the only thing that went wrong is it became public?

Mr. McFarlane. Well, that is generous, Mr. Chairman, but I think there were some other things that went wrong. The idea of trying to establish communications with any sensible people in Iran seems to me today to be a good idea. It was tried for 3 months and found premature. At that time I think it should have been stopped, but it wasn't.

Mr. Fascell. You wanted it stopped, did you not?

Mr. McFarlane. Yes, sir.

Mr. Fascell. You objected to it, as I understand your position?

Mr. McFarlane. That's right.

Mr. Fascell. After you were out of government, you were, in effect, called back to help out with this project?

Mr. McFarlane. Yes, sir.

Mr. Fascell. And it couldn't have been against your better judgment? You did it as a matter of duty to serve your country; is that correct?

Mr. McFarlane. Yes, sir.

Mr. Fascell. Now, why did you resign?

Mr. McFarlane. Well, the three reasons that I've given usually are that it seemed to me——

Mr. Fascell. Well, let's give the unusual reason, Mr. McFarlane. This is the time to tell them.

Mr. McFarlane. The organization of the administration for the conduct of foreign policy, as I believe in, was intrinsically unworkable. It seems to me that though I believe a process called Cabinet government can be a good one, as it is practiced in this administration it is undermined.

To explain, I believe that in any administration that there is—there must be one person who has the knowledge and the full backing of the President to be the advocate, conceptual creator of and implementer of foreign policy, and it should be the Secretary of State.

I believe, however, that as it is practiced here, wherein the Department of State also is responsible for the interdepartmental managerial role of bringing State, Defense, CIA, the Joint Chiefs, and others together, it has been manifestly unworkable, and that is because those other departments see themselves as coequals and, when they disagree, can paralyze the process simply by not coming to the meeting or coming and opposing whatever is going on.

Mr. McFarlane. And I believe because of that, the NSC, staffed by basically bureaucrats, but people responsible for bringing disagreement out of the cabinet departments, writing it down, and giving it to the department to decide. Otherwise, the system will be paralyzed.

Mr. Fascell. In other words, also it makes it possible for an agency or a strong cabinet official or a director to go around what you are charged with doing.

Mr. McFarlane. That is right, sir.

Mr. Fascell. And, as a matter of fact, the question has been raised many times, for example, why would Secord visit with Casey, and was he getting his instructions from you? No, he was working with Ollie North. But was he really working for the Director of the CIA?

Mr. McFarlane. That is possible, yes, sir.

Mr. FASCELL. Now, you were involuntarily drawn into this, as I see it, but you tell me whether you were or not. Secord was called in for a variety of matters, stating in September of 1984, and we finally get down to the crunch point of November 1985, and he is given a letter which, I believe, he admitted was a symbol of authority for him to operate.

Now, if he didn't operate under your direction, whose direction did he operate under?

Mr. MCFARLANE. Mr. Chairman, I have some ideas on that, they are my own and speculative and unsupported by documentation, so I don't think they are terribly relevant, but that is all it is.

Mr. FASCELL. I would like to hear your best guess then.

Mr. MCFARLANE. I think there is a high probability that he accepted the judgment of a cabinet officer as sufficient for him to believe credibility, that he was working for administration policy, for the director, in short.

Mr. FASCELL. Now, Mr. McFarlane, when you resigned and went over to CSIS, I believe it is, right?

Mr. MCFARLANE. Yes.

Mr. FASCELL. You were in constant touch with somebody. You had one of those special machines. Ollie North was assigned to you. You were not in government. Ollie North, I guess, was in uniform technically assigned to the Marines.

What were you guys doing with the government? I mean, what was your role, what was your position? You were still technically what at that point? Were you an officer?

Mr. MCFARLANE. No, sir.

Mr. FASCELL. You were not an officer on the command, you were not a civilian employee.

Mr. MCFARLANE. No, sir.

Mr. FASCELL. But you had with you your trusted deputy and friend who was still in the military?

Mr. MCFARLANE. I didn't, no, sir. I think honestly that my own status was not different from dozens of others who have been outside the government, but frequently consulted by people within the government.

One imagines in generations past Clark Clifford or of that kind, I don't aspire to be on that scale of counselor, but it isn't uncommon for people outside government to advise people within it.

Colonel North had no formal or informal really affiliation. He would occasionally come to me for advice on personal matters and solving bureaucratic problems and so forth.

Mr. FASCELL. Were you keeping contact on a day-to-day basis with what was going on even though you were outside the government?

Mr. MCFARLANE. Not really, sir. There were probably a dozen or so in it, whatever it is, 1-year period after I left government, telephone calls, occasionally two. But you know that is an interesting thing, Mr. Chairman. I guess it is understandable, but in the context of these hearings, those one dozen things spread over the space of a year have achieved quite a lot of importance.

I accept that, but those within the government were having hundreds, thousands, tens of thousands, and my own exposure to it was not real time, I would say.

Mr. **Fascell**. Did you know anything about Colonel North's fundraising activities?

Mr. **McFarlane**. When I was in the government, number

Mr. **Fascell**. How about when you were out of the government?

Mr. **McFarlane**. I suspected it. I never knew he was raising from private groups in this country, if that is the case, sir.

Mr. **Fascell**. So you didn't know about the White House meetings with contributors?

Mr. **McFarlane**. I knew about contributors—no, I didn't—coming to the White House. I knew that there were people of the conservative community that would come to the White House. I did not sponsor those visits; others did, and it seems to me they were probably for political purposes.

Mr. **Fascell**. Well, certainly it seems that way with regard to Mr. Channell and Mr. Miller and their organizations, but you didn't know anything about that?

Mr. **McFarlane**. No, sir.

Mr. **Fascell**. And yet during the period of time that this was going on, part of it at least, you were in office, Ollie North was your deputy, he was extensively involved in all of that, kept you informed every day, 7:30, exhaustively, but he just didn't tell you?

Mr. **McFarlane**. No, sir.

Mr. **Fascell**. That is all I have, Mr. Chairman.

Chairman **Inouye**. Senator Mitchell.

Mr. **Mitchell**. You testified Colonel North told you there's going to be a shredding party, and you said that comment occurred either in your car shortly after noon on Friday, November 21, 1986, or at a meeting in your office shortly after noon on Sunday, November 23. Is that correct? Do you recall that testimony?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. Now, the clear meaning of the words "there's going to be a shredding party," suggests that the shredding has not yet occurred but is an event to occur in the future. Do you agree?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. So if in fact Colonel North held his shredding party on that Friday night, that would indicate his comment about shredding was made to you on Friday in the meeting in your car. Do you agree with that?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. Now, on that same Friday and on the following Monday you met with the Attorney General who questioned you about these events. Is that correct?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. Now, what did you understand Colonel North to mean when he said to you, there is going to be a shredding party?

Mr. **McFarlane**. Well, I think the obvious point, that there was going to be the destruction of some documents.

Mr. **Mitchell**. As you testified today, do you know what obstruction of justice is?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. Did you know last November when these events occurred what obstruction of justice is?

Mr. **McFarlane**. Yes, sir.

Mr. MITCHELL. And you didn't try to persuade Colonel North not to have a shredding party even though you are close to him, he is your former subordinate, you share a lot in common, you are obviously an important person in his life. Isn't that correct?

Mr. MCFARLANE. Yes, sir.

Mr. MITCHELL. And you didn't tell the Attorney General of the United States about it, did you, even though he questioned you about these events with respect to which the documents were to be destroyed. Isn't that correct?

Mr. MCFARLANE. No, sir.

On your last question, Senator Mitchell, the response that I gave Colonel North was simply, Ollie, look, you have acted under instruction at all times and I'm confident that you have nothing to worry about, let it all happen and I'll back you up.

Mr. MITCHELL. But you didn't try to persuade him not to destroy documents, did you?

Mr. MCFARLANE. No, sir, I didn't, but I think it's worth noting at least that if his reason for saying that to me was his sense of obligation to me to protect me or me to disarm him of any notion that he had to protect me might have eliminated that impulse.

Mr. MITCHELL. Well, you have had an impressive record, Mr. McFarlane, you display great personal courage, you devoted your life to your country, and I speak only for myself but I'm sure others feel the same way, moved by your circumstance, but I feel constrained to ask you. As you sit here today, what do you feel the obligation of an American citizen is when he learns that a crime may be about to occur?

Mr. MCFARLANE. He should seek to prevent it.

Mr. MITCHELL. Did you do that in this case?

Mr. MCFARLANE. Not well enough.

Mr. MITCHELL. Now, throughout these proceedings you have assumed a willingness to accept responsibility. Indeed, it has been at times an eagerness, an anxiousness to assume responsibility. You have said on several occasions, "I'm responsible." But in each instance it has been in a general sense. When the questioning has dealt with specific events, you have been far less willing to acknowledge responsibility there.

Mr. Nields devoted a great deal of time to developing the evidence in that regard, and others did, and so I'm not going to review the evidence.

Mr. MCFARLANE. Could we, please? I think it's worthwhile, Senator Mitchell.

Mr. MITCHELL. You may do so in your responses; let's leave it that way. But I'm going to ask a conclusory statement regarding those events.

First, a chronology. Isn't it true, Mr. McFarlane, that you and Colonel North and other officials deliberately falsified the chronology, you particularly, with respect to the question of whether or not the President had authorized the shipment of TOWs from Israel to Iran in August of 1985?

Mr. MCFARLANE. No, sir, it is not.

Mr. MITCHELL. Isn't it true with respect to the activities of the staff as reported to Congress, isn't it true that you participated in the deliberate misleading of Congress regarding the activities of the NSC staff?

Mr. McFARLANE. I think I did not give as full an answer as I should have.

Mr. MITCHELL. No, that is not my question. I know you have said that, you have used the phrase "too casual." I'm asking a direct question: Isn't it true that you deliberately misled the Congress regarding the nature and extent of the activities by members of your staff?

Mr. McFARLANE. I just don't see it in exactly the same terms as you, Senator Mitchell.

Mr. MITCHELL. Isn't it true that notwithstanding your statements to your staff about fund-raising, that you participated in fund-raising, indeed the one country which you directly solicited, Country Two, was the country which provided most of the money that was received?

Mr. McFARLANE. None of what you have said is accurate, Senator Mitchell. I pointed out that the time when the foreign government contributed that first increment, there was no prohibition in law at all about that.

Mr. MITCHELL. Isn't it true that you misled the Attorney General in your meetings with him regarding the state of your knowledge and most specifically regarding your knowledge about the November 1985 shipment of Hawks from Israel to Iran?

Mr. McFARLANE. Senator Mitchell, that is categorically false. May I please give a direct answer, a full answer?

Mr. MITCHELL. Yes, go ahead.

Mr. McFARLANE. You know this is very important and very, very disappointing for someone who is trying here today to promote the idea of consulting with the Congress and cooperating with it. Now, here today I believe honestly that effort to cooperate—what have we had?

I think Mr. Nields, consciously wanting to give me a fair opportunity to answer questions, has gone through interrogation, which has left a fundamentally false impression, and deliberately withheld information. I cannot have any other interpretation. For example, on this November 18 episode concerning the Senator's question of misleading the Attorney General about Hawk shipments, your point was, after dozens of questions, to reach the conclusion that I had spent a full week working on the chronology and had not apparently come to the conclusion that there had been a Hawk shipment involved.

Well, surely you must have gone to the trouble of finding out that in that week that you suggest—from the 14th to the 21st of November, I was out of Washington, D.C. for 5 days. How is it that I could have spent a week working on the chronology when I wasn't even in the city?

Second, if you will turn to exhibit number 59, you see that at the end of that entire process I still did not have command of whatever must have taken place regarding the sale of Hawk missiles. I put that formally in a note to my successor, and

> I spent a couple of hours today with Ed Meese going over the record with him. The only blind spot on my part concerned a shipment in November 1985, which still doesn't ring a bell with me.

Now, that is on Friday afternoon, November 21. The time that I spent contributing to that chronology was basically the evening of Wednesday night for a period, or Tuesday night, of about 3 hours, almost all of which was spent in working on the opening statement, not the chronology at all.

The basic document used for the testimony against me was something that I did not foremostly rely upon, but yet another one which, I take it, has not been introduced into evidence. Now, I will be glad to answer questions all day, but is it not so that there has been until this moment the impression in this committee that I was involved importantly, continuously for a sustained period in the preparation of the chronology, when in fact it is a matter of, a matter of perhaps minutes or hours at most——

Mr. MITCHELL. Mr. McFarlane, the record as developed by Mr. Nields yesterday will speak for itself. You have obviously expressed your view. I will express my view that the evidence is clear and convincing, indeed it is overwhelming that you did in fact deliberately participate in the falsification of a portion of that chronology——

Mr. MCFARLANE. I disagree.

Mr. MITCHELL. —And I limited my remarks to that aspect of dealing with the knowledge you had of the President's prior authorization of that first shipment. I think no conclusion is possible other than that I have expressed on the reading of those documents.

I won't try to rehash them here. With respect to the question of the Attorney General, again I refer you to the notes taken by Mr. Cooper, who recounts your statements made at the time regarding your knowledge of the Hawk shipment in November which is directly contradicted repeatedly through documents and statements made by you prior to that.

Mr. MCFARLANE. Well, Senator Mitchell, if you rely on that set of notes from Mr. Cooper with such importance and credibility for that, how is it you can't take the equally valued point of his—I take it in those notes to the effect that Israel could come for replacements? I mean——

Mr. MITCHELL. I haven't disputed that point, Mr. McFarlane. I haven't raised that point.

Mr. MCFARLANE. That is a decision the President made.

Mr. MITCHELL. He says in here, November Hawks, meaning you think he first learned of it when briefed for a trip to Iran in May.

This is obviously untrue, isn't it?

Mr. MCFARLANE. That is what I could recall, and I said so in a note back to Poindexter. It simply was not something in my mind.

Recall now that I was out of the country with the President in the summit in Geneva.

Mr. MITCHELL. And then in his notes he says, November 15 to 15 at summit in Geneva learned Israel had shipped oil equipment. You had known for many months that Israel had not shipped oil equipment?

Mr. MCFARLANE. I referred to you that perhaps during that very week of November 1986, when this chronology was being put together, that I was again encouraged to believe that it really was oil parts?

Mr. **Mitchell**. Well, I just want to say the tactic of assuming general responsibility while denying any responsibility for specific events is not uncommon. You are not the first person to use that——

Mr. **McFarlane**. I challenge that as a position I have taken.

Mr. **Mitchell**. My point is that no penalty attaches for assumptions of general responsibility, whereas we all know specific responsibilities do attach for specific events. And as I said, I believe the record will speak for itself.

I would like to ask you one other question regarding your trip with Mr. North in your car. Did Mr. North say to you during that trip words similar to: I don't want to see either you or the President to be hurt by this?

Mr. **McFarlane**. He did at some point, either in the car or elsewhere.

Mr. **Mitchell**. You visited Teheran in May of 1986, Mr. McFarlane; was that your first visit to Iran?

Mr. **McFarlane**. Yes, sir.

Mr. **Mitchell**. I would like to—do I have time for any further questioning?

Chairman **Inouye**. Your time has expired.

Mr. **Mitchell**. Then I will not get a chance to ask any further questions.

Thank you, Mr. McFarlane, Mr. Chairman.

Chairman **Inouye**. Congressman Broomfield?

Mr. **Broomfield**. Thank you, Mr. Chairman.

Bud, over the years you have made a great deal many friends here in Congress, and I might say on both sides of the aisle. I will also bet that you have made a lot of people happy around the country because of the way you handled yourself before the panel.

I am not going to repeat the details of your lifetime, patriotic and dedicated service to our country. Suffice it to say, it is a record every American can appreciate and for which you can be very proud.

You have indicated you have made some mistakes, as all of us have, but few of us will be willing to bare our souls so openly and candidly before this committee and the entire nation, as you have, and I am proud of you, Bud.

I appreciate the honest effort you have made to correct the record on what transpired and the fact that you have come forward voluntarily to tell us what you know, and like a number of other witnesses from whom we will hear, you did not ask that we grant you immunity in exchange for telling the truth.

You have told us what happened to the best of your recollection, and you have accepted full responsibility for that action. As I have noted the other day, I don't think it is fair to leave the impression that those actions were taken in a vacuum.

I appreciate your forthright attitude toward this committee will serve as an example for others who will follow.

Now, Bud, I want to ask you a question. The Congress and executive branch have occasionally had difficulties with congressional oversight on sensitive covert activities.

The executive branch wants to inform as few people as possible in Congress so that secret operations will remain a secret. The Congress, of course, wants to ensure it is aware of every sensitive covert action so that Congress can carry out its important oversight and funding duties.

It appears, however, that everyone agrees that for the most covert activities, the regular ones, that the current practice of informing the two intelligence committees works pretty well, but there is a lingering concern about what we could call supersensitive covert actions.

Would it be a fair quid pro quo between the two branches to change the law to provide that the President can never, never totally withhold notices to Congress of a covert operation, but he can, when he deems essential to the security of a supersensitive covert operation, inform what we would call the so-called Gang of Four, that is, the Speaker, the Minority Leader in the House of Representatives, and the Minority and Majority Leaders in the Senate?

Would you comment on that suggestion?

Mr. McFARLANE. Mr. Broomfield, I think that that formally expresses the intent of Congress in current law. And it seems to me that is a sensible approach.

I would have to say that that approach, if tried, might have prevented what we experienced here, but I think it is a sensible approach.

Mr. BROOMFIELD. On April 27, 1983, President Reagan addressed Congress and clearly stated his policy goals and objectives in Central America. Assistance to the Contras, the Nicaraguan democratic resistance, was an important element in the implementation of those policy objectives.

As the National Security Adviser, what were, in your mind, the strategic and tactical reasons to force the President to change that policy in Central America?

Mr. McFARLANE. I would be glad to give you a more thoughtful answer. It would take quite a long time. But I think the President, under the significant precedential importance of being able to turn around the advance of Soviet influence in this hemisphere, and I think, as well, he has a very strong personal attachment to movements aspiring to pluralism and democracy—these are the foremost reasons. There are others.

Mr. BROOMFIELD. Bud, getting back to the National Security Council itself, it seems to me one of the main problems that we got involved in, or the administration did, was that the NSC was really involved in the operational end of this thing.

Mr. McFARLANE. Yes, sir.

Mr. BROOMFIELD. Now, how do you look at that? In other words, don't you think there ought to be a change in the policy whereby we get back to the traditional, using the State Department, DoD and CIA, rather than having this operate out of the basement of the White House?

Mr. McFARLANE. I think that's true. Not only as members of the NSC staff not equipped in terms of experience and knowledge to do that—they are overtaxed in terms of other responsibilities which they ought to be doing. And operational responsibilities ought to be referred to the Cabinet agencies under the CIA.

I think that there is a very, very narrow—I think one-tenth of one percent of the diplomatic agenda that can occasionally justify a contact or two when both secrecy and the clear involvement of the highest level of our country is required.

Even when that happens, I think the Secretary of State should be involved and concur.

Mr. **Broomfield**. It is my understanding that President Reagan has already instructed Frank Carlucci—the new National Security Adviser has put this new policy into effect there that they will not have the operational covert activities operating out of the White House.

That is my understanding, anyway.

Mr. **McFarlane**. Yes, sir.

Mr. **Broomfield**. Did you receive any compensation from the United States or anyone else for your service on the Iran initiative after you left office in December of 1985?

Mr. **McFarlane**. No, sir.

Mr. **Broomfield**. Why did you volunteer your time, effort and services for the Iran initiative after you were out of office?

Mr. **McFarlane**. Well, it seemed to me that there were several reasons, but one of them was the possibility that it might indeed work, that this was a turning of the page to the diplomatic agenda.

Another reason was that it would be so evident that it would not work that going, coming back with the added credibility that associates with first-hand contact with high Iranian officials might make it more persuasive to the President to turn it off than I had been in December.

Finally, I did it because I was asked to do it. I have been doing that for 30 years.

Mr. **Broomfield**. Bud, finally, one question still a lingering one, and I think it follows up on Chairman Fascell's question about when you quit as national security advisor.

Was there one single thing or was it a combination of many things that brought this about in your mind, that you felt that you had to resign? Was it the Iran problem or was it some other foreign policy problems that you didn't agree with?

Mr. **McFarlane**. Mr. Bloomfield, I think that this country has had opportunities for advancing stability in the world in the last few years that deserve to be exploited—many of them have—but that the way in which the process works suggested to me that I wasn't a material factor in whether they succeeded better or not.

Some of that was rationalization, though. I think perhaps if I had stayed, I could have prevented this, and I'm sorry for that.

But it wasn't just one factor; it was a lot of things.

Mr. **Broomfield**. Was the diversion of funds a key question in there?

Mr. **McFarlane**. No, sir. I didn't have anything to do with it.

I'm sorry for my outburst here earlier today, but I've got to tell you, you run a real risk in that kind of thing. You know, people don't volunteer to come in and work for the government for these wonderful wages and occasionally get shot at and spend 30 years doing that so that they can be ridiculed by someone who doesn't have the patience to study the facts.

I mean, there are a lot of people out here watching this. I'm not trying to be pedagogical or pedantic, but we want people to come into this government and feel as if they do what they believe is the right thing to do, they are not going to be scandalized pretty close to the edge.

Mr. BROOMFIELD. I want to thank you very much, Bud. We all appreciate the dedication you have had in public service.

That's all the questions I have.

Chairman HAMILTON. The Chair is very anxious to complete the testimony of Mr. McFarlane today, and we want to accomplish that if we possibly can.

We will recognize a ten-minute recess, as we had previously agreed with the witness's counsel. We'll stand in recess for ten minutes.

[Recess.]

Chairman HAMILTON. The committees will resume sitting.

The Chair recognizes Chairman Inouye.

Chairman INOUYE. Senator Hatch?

Mr. HATCH. Thank you, Mr. Chairman.

Mr. McFarlane, I just want to say to you you have been very patient and very helpful to these proceedings. As one of the President's top foreign policy advisers—probably the top foreign policy adviser at one time—I personally am interested in what you have to say.

You were in a unique position to observe these events and now, of course, you are in a unique position to help us to analyze the various problems and to learn from them.

I think you also brought an impressive background here with you that I think was gone through by Mr. Liman.

No question. You are a graduate of the U.S. Naval Academy, a Marine officer with two combat tours in Vietnam. In fact, you served two tours in Vietnam; isn't that right?

Mr. McFARLANE. Yes, sir, but Secretary Haig used to say I didn't have the benefit of a college education.

Mr. HATCH. That is all right. Secretary Haig didn't either in some ways.

He certainly didn't have English grammar or vocabulary, is all I can say.

Let me just say that as you served in Vietnam, you served twice in combat roles; is that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. As a matter of fact, you led the first team into combat in Vietnam; is that correct?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. As I understand it, you served in Da Nang?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. The DMZ.

Mr. McFARLANE. Yes, sir.

Mr. HATCH. The Tet offensive, Pleiku, CheSahn; name it, you were there just about; is that right? I am not trying to embarrass you, but that is true; isn't it?

Mr. McFARLANE. Many of those, yes, sir.

Mr. HATCH. As a matter of fact, you were in fire fights all over Vietnam; is that correct.

Mr. McFARLANE. Yes, sir.

Mr. HATCH. You saw a lot of people die?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. You have given 30 years of service to this country; is that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Do you ever recall a day when you weren't trying to do the absolute best for your country that you could?

Mr. McFARLANE. No, sir.

Mr. HATCH. I don't either. It makes you wonder why you are going through this today, even though there are wrongs here. It is easy for us to criticize in retrospect. It is easy for anybody to criticize in retrospect.

Let me just go through a few things with you. Let me ask you a simple and straightforward question.

Are there times in the conduct of foreign policy where covert as opposed to overt operations are necessary?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. They are absolutely necessary, aren't they?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Would you agree with me when a covert action is successful, in many ways it is and in many times in past history, it has been considered a successful, brilliant foreign policy; is that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Yet, on the other hand, when a covert action is unsuccessful and exposed to the light of day, such as, for example, President Carter's Desert I operation to rescue the hostages in Iran in 1980 or the mining of the harbors in Nicaragua, that those covert actions are considered to be tremendous blunders; isn't that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Almost in every case; is that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Now, it reminds me of the football coach who decides to go for it on the fourth down. If he makes it, he is a genius. If he doesn't make it, he is one of the dumbest people on earth; is that right?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Do you feel a little like that?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. I'd feel a little like that if I were you. Was there any time during this whole period that you were not trying to do the best you could for our country and in the best interests of our country albeit it can be criticized today?

Mr. McFARLANE. No, sir.

Mr. HATCH. OK.

Now let me say this. I would like to ask you a few questions about the Iran operation. I haven't heard too much criticism lately compared to the early times about Iran. Most of it is now on the Nicaraguan thing because that seems to be more inflammatory and seems to be more something that can be criticized, the diversion of funds to the Nicaraguan Freedom Fighters or Contras, as they are called.

I sat through almost two weeks of these hearings. As I've seen how this affair is being reported, in various media, it strikes me that far too many of us have succumbed to easy conclusions. Because the mission was not totally successful, then the idea was bad, the motivations had to be bad as well. And that they were improper and the decision to go forward was a colossal blunder. Like I say, it is always easy to criticize in retrospect.

Perhaps this conclusion is helped along by the desire of some to make this into another Watergate, which I don't think—I'm not convinced that it is. I will agree that it appears that over time the Iranian operation degenerated into a primarily arms-for-hostages deal as it gradually evolved. But isn't it true, Mr. McFarlane, that there were a number of very important, worthy foreign policy goals that were part of this problem along the way?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. I'm talking about the whole Iran initiative.

Let me ask you just, if you will, some of the things throughout some of the reports. I won't turn to them because of the time constraints here. I was going to cite a number of reports, but let me just ask these questions this way.

At one point, in exhibit 55 it states that "Iran is the key to a region of vital importance to the West. It is increasingly threatened by a growing Soviet and political influence." Would you agree with that statement?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. The document continues, "Over the course of the last 2 years, the Soviets and their surrogates have moved actively to gain influence in the Persian Gulf."

Do you agree with that statement?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. There isn't anybody who wouldn't agree with that statement who knows about it who has looked at the top secret information.

The document goes on to say that the Soviets believe that the—that once the Ayatollah Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran which serves the Soviet's strategic interests. Do you agree with that?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. The document next states that communist nations have become principal arms suppliers to Iran, a factor that makes Iran dependent on this source of supply in contending with the Iraqis; is that correct?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. Do you agree with that?

Mr. McFARLANE. Yes, sir.

Mr. HATCH. This leads to the conclusion in the report that the Soviets may well be pursuing their own revolution in Iran. That is, and I quote,

> By fueling both sides in the conflict, the Soviets could well encourage a disastrous final offensive by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit.

Do you agree with that appraisal?

Mr. McFARLANE. It is very possible.

Mr. HATCH. Do you agree?

Mr. McFARLANE. Yes, sir.

Mr. **Hatch**. Were these essentially the parameters you faced at the time that the White House developed its own 1985 Iran initiative?

Mr. **McFarlane**. Yes, sir, they are.

Mr. **Hatch**. OK.

Was opening a channel to the Iranian moderates one of your objectives?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. I might mention for those who don't think that was a reasonable objective because there are no moderates, they say, in Iran, there were people in Iran who believed that Iran's long-term best interests were not being served by the support of terrorism; isn't that correct?

Mr. **McFarlane**. Yes, it is.

Mr. **Hatch**. That by any definition is a moderate regardless of what the revolutionary attitudes were; is that right?

Mr. **McFarlane**. I agree.

Mr. **Hatch**. As a matter of fact, one of the best articles written just recently on this subject is by Gary Sick, the former head of the Iran desk at the National Security Council, under the Carter administration, a very fine man who wrote the book "All Fall Down." I commend everybody to read it in Foreign Affairs.

He pretty well makes the case and, I think, makes it very, is that there were plenty of—there was plenty of room to deal under the surface of their revolutionary postures with people who were willing to start to bring Iran into the real 21st Century, and into the rest of the world; isn't that correct?

Mr. **McFarlane**. Yes, it is.

Mr. **Hatch**. Have you read that article?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. Would you say another one of our objectives was to wean the Iranian regime away from terrorism?

Mr. **McFarlane**. If at all possible, yes, sir.

Mr. **Hatch**. Wouldn't that have been a wonderful thing if we could have weaned them away from terrorism and isolated Assad and Khomeini in the Middle East as the major perpetrators of terrorism?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. You bet it would, wouldn't it?

Was that a worthy foreign policy goal?

Mr. **McFarlane**. I believe it was.

Mr. **Hatch**. Anybody with any brains whether mentioned in reports or not had to realize that was one of the goals?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. You realized it; didn't you?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. Did the people around you realize it?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. I believe even the people in the Carter administration realized it?

Mr. **McFarlane**. Yes, sir.

Mr. **Hatch**. Anybody would. In fact, I think they were some of those who probably initiated some of these worthy foreign policy goals, or at least tried to; isn't that right?

Mr. McFarlane. I agree, yes, sir.

Mr. Hatch. You bet.

Isn't it true one of your personal objectives as National Security Adviser was to try to negotiate or find some reason or way to negotiate an end to the Iran-Iraq war?

Mr. McFarlane. Yes, sir, it was.

Mr. Hatch. As a matter of fact, it is not in the interests of the western world to have either side win that war; is that correct?

Mr. McFarlane. That is correct.

Mr. Hatch. Now, these are tough things to state in the open air right now, but I think we have to at this point. That was a worthy foreign policy objective; wouldn't you say?

Mr. McFarlane. Yes, sir.

Mr. Hatch. It was one you were pursuing or trying to pursue; is that right?

Mr. McFarlane. That is correct.

Mr. Hatch. In a variety of ways; is that correct?

Mr. McFarlane. Yes.

Mr. Hatch. Of course. Would such a settlement go a long way toward preventing Soviet hegemony in Iran and in that area?

Mr. McFarlane. Yes, it would.

Mr. Hatch. No question about it; is there?

Was that also not a goal of the administration's Iran initiative?

Mr. McFarlane. It was.

Mr. Hatch. Of course. Another of my personal concerns in that part of the world is to protect the northern tier countries—let's name Pakistan—and to keep them interested in supporting Afghanistan and the rebels, or should I say, the freedom fighters in Afghanistan; is that correct?

Mr. McFarlane. Yes, it is.

Mr. Hatch. That is one of the worthy foreign policy goals; wasn't it?

Mr. McFarlane. Yes.

Mr. Hatch. How about the southern tier countries, Saudi Arabia, Israel, Jordan, Egypt, and really all the rest; wasn't it in the western world and all the world's best interests in that powder keg we call the Middle East, to try to develop better relations with Iran and bring about a negotiated settlement to that war?

Mr. McFarlane. I think it was.

Mr. Hatch. And it was in the best interest of those southern countries as well, wasn't it?

Mr. McFarlane. It was.

Mr. Hatch. It would have to be, wouldn't it?

Mr. McFarlane. Yes.

Mr. Hatch. As a matter of fact, Gary Sick concludes that we better get about doing exactly the things that—well, maybe they were bundled, but the fact of the matter is we were trying to do it; is that right?

Mr. McFarlane. Yes, it is.

Mr. Hatch. I wonder what would happen if all of a sudden this covert action had never been disclosed, and you got the hostages out and had a better relationship with Iran. That probably would go down in history as one of the better foreign policy missions, at least in these modern times, wouldn't you say?

Mr. McFarlane. Yes, sir.

Mr. Hatch. All right. Isn't it true that the Iranian initiative was aimed directly or indirectly at lessening Iranian reliance on the Soviet Union as the arms supplier, to both Iran and Iraq; isn't that right?

Mr. McFarlane. Well, it was to prevent a Soviet achievement of leverage.

Mr. Hatch. And domination, leverage, control over both of those countries; is that right?

Mr. McFarlane. That is right.

Mr. Hatch. So they could manipulate both of them?

Mr. McFarlane. Yes.

Mr. Hatch. Weren't we also interested in getting intelligence from Iran?

Mr. McFarlane. Yes.

Mr. Hatch. As a matter of fact, it was a major interest?

Mr. McFarlane. Yes.

Mr. Hatch. Up to this point we were in almost total reliance on the Israelis to give us the intelligence we needed in that geostrategic and important part of the world; is that right?

Mr. McFarlane. That is correct.

Mr. Hatch. I might add also, weren't we interested in obtaining any Russian equipment we could obtain?

Mr. McFarlane. Yes, sir.

Mr. Hatch. Isn't that true that we had even negotiated to obtain a T-72 Russian tank?

Mr. McFarlane. That is correct.

Mr. Hatch. Would that have been helpful to us to have obtained that?

Mr. McFarlane. It would.

Mr. Hatch. And other equipment as well?

Mr. McFarlane. Yes, sir.

Mr. Hatch. It seems also to me there is a lot more than just trying to give arms for hostages here.

Mr. McFarlane. Yes, there is.

Mr. Hatch. There are a lot of things I would like to go into, but my time is very short. I want to be considerate of the rest of my colleagues. I also want to make sure that people understand this isn't as simple as it has been portrayed, and I have a little bit of difficulty seeing why people like you and General Secord—because this has not turned out very well, and because it probably had plenty of mistakes from the beginning—have to be pilloried all over the public by various people, and means, and sources, when it seems to me you were trying to do the best you could for your country, albeit, you, yourself, have admitted that it has been a failure.

So I just want to say then—let me just go into one or two other things. Let me turn for a moment to the Contra issue. First, Mr. McFarlane, would you say as the President's former National Security Adviser that Cuban forces deployed in Central America pose a serious potential threat to the strategic interests of the United States, not only in this area, but in this whole hemisphere.

Mr. McFarlane. Yes, sir, I do think that in the role they play of fomenting potential subversion throughout the area——

Mr. HATCH. Did the Sandinistas pose the same threat?

Mr. MCFARLANE. Yes, sir.

Mr. HATCH. There is no question about it, is there?

Mr. MCFARLANE. No, sir. They have declared——

Mr. HATCH. Even the most liberal of our people in Congress have to admit that, and have, many of them. Are both of these forces assisted by the Soviet Union—I might say in terms of arms, personnel logistical support?

Mr. MCFARLANE. Yes, sir.

Mr. HATCH. They sure are, aren't they? In fact, there are Soviet advisers there, aren't there?

Mr. MCFARLANE. There are.

Mr. HATCH. They are arming terrorists there?

Mr. MCFARLANE. Yes, sir.

Mr. HATCH. They are training terrorists?

Mr. MCFARLANE. Yes.

Mr. HATCH. There's an exportation of drugs?

Mr. MCFARLANE. That is true.

Mr. HATCH. Not only for money, but to debilitate societies; isn't that correct?

Mr. MCFARLANE. It is.

Mr. HATCH. I wonder what would happen if we ignored this threat?

Mr. MCFARLANE. It can only be damaging to our interests, I think, Senator Hatch.

Mr. HATCH. Is there any doubt in your mind, Mr. McFarlane, that President Reagan, in formulating this position regarding Central America, was motivated by a sincere belief that this communist threat had to be stopped? Any doubt in your mind about that?

Mr. MCFARLANE. No, sir, I don't.

Mr. HATCH. There isn't—isn't it a fact President Reagan, as the Commander in Chief of the Armed Forces and as the sole person to whom the Constitution gives the responsibility for conducting foreign relations in spite of what Congress has done to direct foreign relations from up here, that he gives—is given the responsibility for conducting foreign relations—that he was sincerely committed to a position in Nicaragua that would ultimately lead to peace and stability in our region of the world?

Mr. MCFARLANE. I agree, sir.

Mr. HATCH. I was going to go into a number of issues with regard to the Boland amendment. I will just summarize it this way. If you had the Boland amendment and all the other Congressional actions over the last 4 years, or let's make it over the last 5 years, you have to say that Congress sent contradictory messages to the administration in its conduct of foreign policy; is that right?

Mr. MCFARLANE. Yes, sir.

Mr. HATCH. And you also have to say that Congress has interfered with the conduct of foreign policy repeatedly, don't you?

Mr. MCFARLANE. That's true.

Mr. HATCH. That is a tough question. What was your answer?

Mr. MCFARLANE. That's true.

Mr. HATCH. And that these messages were ambiguous, contradictory and not very easy to understand?

Mr. MCFARLANE. That, too, is true.

Mr. **HATCH**. Some aspects were easy to understand. You yourself tried to abide by the letter of the Boland amendment laws; is that correct?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. All right. Let me just ask you one final question. There are a couple of others I would love to ask, but I have run out of time.

There has been some discussion of this obstruction of justice. Now let me ask you this: Is it not a fact that in the intelligence community and in the National Security office itself, that there is a constant shredding of documents?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. It has to occur, doesn't it?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. Some of the documents even have written on them, "Read this and then destroy it," isn't that right, or words to that effect?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. You've seen a lot of those, haven't you?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. Do you remember a day going by where there were not documents shredded, or for the most part, most days where they were shredded?

Mr. **MCFARLANE**. It is a routine occurrence.

Mr. **HATCH**. It was a common occurrence; is that right?

Mr. **MCFARLANE**. Yes, sir.

Mr. **HATCH**. Is the fact that somebody shreds documents—can it be automatically—can it be automatically construed they are obstructing justice?

Mr. **MCFARLANE**. Not automatically.

Mr. **HATCH**. Let me just ask you this. Like I said, there has been some discussion of this, but did you believe that Oliver North was planning to violate the law by destroying documents to prevent a serious crime from being discovered? Do you believe that?

Mr. **MCFARLANE**. I took it that he was trying to convey to me that he was going to make sure that I was not damaged by this, and I wanted to disabuse him of any need to do that.

Mr. **HATCH**. Let me ask you further, isn't it a fact that one of the major reasons—I don't know what the motivation was, but I want to see the other side of this brought out, too, so it isn't just one-sided.

Isn't it a fact that one of the reasons Colonel North could have had for shredding those documents might relate to this ridiculous posture we have to take up here in describing Countries One, Two, Three and so forth, because he wanted to protect some of the names and some of the countries and some of these foreign policy decisions that had been made so that they don't embarrass other countries and other people?

Could that possibly be a reason for wanting to shred documents?

Mr. **MCFARLANE**. Yes, sir, it could.

Mr. **HATCH**. It is a major reason for wanting to, isn't it, in some cases?

Mr. **MCFARLANE**. Yes, sir.

Mr. **Hatch**. Now, I just wanted to present the other side, it could have been an obstruction of justice, I don't know. Nobody knows here. But you have to look at the other side as well.

People who deal in this area cannot all afford to have an attorney sitting by their sides making decisions for them; is that right?

Mr. **McFarlane**. That is right, sir.

Mr. **Hatch**. If we in the Congress become so intrusive, and by the way, we surely seem to have intentions to do that all the time in foreign policy, that if we become so intrusive that every decision made by National Security Council people, whether in a Democratic or Republican administration, has to be questioned by the Congress.

And a lot of them are anyway, but if every decision has to be questioned by Congress, then every one of those members are going to have not only an attorney, but a very fine foreign policy attorney sitting there deciding every question that has to be made.

Is that correct?

Mr. **McFarlane**. Yes, sir, it is.

Mr. **Hatch**. That is a fair appraisal. I think it is a fair statement. So I just don't like to see it all presented on one side or another and let me just close with this: Mr. McFarlane, you have made some mistakes here, you have come in here honestly and said you have made some mistakes. Mr. Secord made some mistakes, he came in and I believe honestly said he made some mistakes.

Both of you have served your country for many, many years. Neither of you have gotten wealthy from serving this country where I think you could have, had you gone about some other businesses.

And it seems to me that you are the kind of people, assuming that there are no criminal facts that come out later, I haven't seen much in the way of that so far, but if there are no criminal facts that come out later, then it seems to me that you are the type of people we really want to have in government who are intelligent, aggressive, patriotic, decent, willing to work hard, giving your life to your country, and I think it is time for us to go into this and pursue it as well as we can, but just talk in terms of what happened here and what we can do to prevent it in the future.

I want to thank you personally for the good things you have done for our country, and I think you are owed a debt of gratitude rather than some of the pillory you have gone through the past couple of months.

I want you to have my feelings for that. I apologize to my colleagues for taking longer than I should have.

Mr. **McFarlane**. Thank you very much, Senator Hatch. I appreciate it.

Chairman **Hamilton**. The Chair recognizes Mr. Hyde.

Mr. **Hyde**. Thank you, Mr. Chairman.

Mr. McFarlane, in my view, there is no more valuable Member of Congress than Senator Orrin Hatch, but I can't help thinking the kind of grilling you would get if he were mad at you.

He reached to Gary Sick's book, "All Fall Down." And I think it is essential reading for anybody who wants to know the background of Iran and our relationship, troubled as they have been.

One of the parts of this book talks about the very poor intelligence information we had about what was going on inside of Iran.

In fact, at page 106, the quality of information available to U.S. policymakers on Iran was indeed dreadful, and that unpleasant fact only become more apparent as the crisis progressed.

I understand that was as a result of a decision somebody made somewhere that we should only talk to the Shah and his people, not the Mullahs and the opposition because if the Shah heard about it, he would feel he was being stabbed in the back and that wouldn't do well for our relationships and so we never talked to anybody but the Shah.

But in any event, our intelligence was dreadful, our information was dreadful, and, of course, human intelligence takes people on the ground in these places, and if you don't have it, you don't develop it overnight; isn't that true?

Mr. **McFarlane**. Yes, it is.

Mr. **Hyde**. And, therefore, we relied, did we not, perhaps excessively, but of necessity, on Israeli intelligence for information as to who the pragmatics were, who the radicals were, who we could talk to and who we couldn't, because we didn't have that information.

Isn't that true?

Mr. **McFarlane**. Yes, I think it is.

Mr. **Hyde**. Also in this book, just one more point that I think fits in the mosaic, the environment around these decisions.

It is true, is it not, that President Carter, when we had 53 people being held for, it ended up 444 days, was ready to send a military package to the Iranians of about $150 million, including aircraft spares that would be available upon the release of the hostages.

Now, I understand that they had paid for this. But of course they were holding our hostages. But the notion of arms to the Iranians over hostages is not unique with this administration, isn't that true?

Mr. **McFarlane**. It is.

Mr. **Hyde**. Now, mention has been made of the possible illegality of selling arms to the Iranians, and I haven't heard much mention of the law that's been on the books since 1868, 119 years ago: release of citizens imprisoned by foreign governments.

Now, I know these hostages that were and are presently, we believe, in Lebanon are maybe not held by a foreign government; but apparently the Hizballah, or whoever is holding them is influenced by Iran or possibly other governments. But I think it is important; as we discuss and turn over the possible violations of law that we understand there is a law on the books expressing Congress's attitude toward hostages being held overseas that says the President can do anything he wants short of declaring war after demanding their release, to get hostages out. Isn't that so? That is what the law says?

Mr. **McFarlane**. Yes, it is.

Mr. **Hyde**. It also says, "All the facts and proceedings relative thereto shall, as soon as practicable, be communicated by the President to Congress." It doesn't say before or during. That might well mean when the hostages are released and out of danger. It is a matter of interpretation.

But I think, and I hope you agree, that it's useful to know that Congress has had a policy since 1868 that the President has a free hand in terms of getting hostages released that are being held overseas. So the notion that there may be some illegality there I think has to run head on into this statute, and I think it's useful to cite it because Jimmy Carter used it also in his efforts to release our hostages, so I think that's worth noting.

Now, as a student of history, Mr. McFarlane, and you are, because I have read some of your writings, very thoughtful, I would like to recall to your mind 1940 when Winston Churchill implored F.D.R., Franklin Delano Roosevelt, one of our great Presidents, to transfer 50 U.S. destroyers to Great Britain in exchange for leasing rights that they would give us on Britain's West India Islands. President Roosevelt consulted with his advisers; he concluded that legislation was necessary to accomplish this, but Franklin Delano Roosevelt was confronted with his estimate of a recalcitrant Congress, and so he directed his Secretary of State to declare these destroyers as surplus, 50 destroyers, not necessary to our defense, and by that certification he transferred them to Great Britain.

Now, this certification was demonstrably false, but it accomplished the purpose, and in the light of hindsight it was probably a good idea.

Now, as a student of history, I simply ask you if, bearing in mind F.D.R.'s circumventing of Congress to get the job done in the oncoming war with Hitler, that again it isn't unique to find a President under the exigencies of a gathering situation to sometimes feel it necessary—I'm not justifying it, I'm just saying it has happened before—circumventing Congress. Isn't that so?

Mr. **McFarlane**. Yes, sir.

Mr. **Hyde**. Now, we reinforced a myth here today, it seems to me, and Mr. Casey is not here to defend himself and is in a far better place, I'm sure; and, parenthetically, I think having to submit to a leftist political lecture at his funeral was an outrage, but I just throw that in gratuitously.

You said in answer to Mr. Courter this morning, and again you said it to Senator Inouye and you said it to Senator Sarbanes, that Congress was not notified properly, appropriately of the mining of the harbors of Nicaragua. And I suggest to you that that is not so, that that is a myth, and the more people repeat it, the more credibility and credence it gets.

And I should like to recall, direct your attention to an article that appeared in the April 15, it's datelined April 15, appeared in The New York Times of April 16, 1984, by Bernard Gwertzman, and I don't want to violate the rules of comity by mentioning Senators' names. But I think the issue as to whether Congress was notified by the CIA of the mining of the harbors pursuant to law is important, because charges have been made three times and I want to try to get the historical record straight, so I must mention the names of Senators in this article.

> Senator Patrick Moynihan announced today he was was resigning as the Vice Chairman of the Committee on Intelligence. The New York Democrat said he was protesting the failure of the CIA to inform the committee properly about the scope of United States involvement in the mining of Nicaraguan harbors.

The CIA, which is charged by law in keeping the House and Senate Intelligence Committees 'fully informed' of its current and future activities, has insisted it briefed the committees about the mining.

The Agency said it told the House committee on January 31, and the Senate group on March 8 and again on March 13. In addition, it said the Senate committee staff received an extensive briefing on April 2.

Skipping down:

Mr. Moynihan, the ranking Democrat on the committee, echoed a complaint made by Senator Barry Goldwater, Republican of Arizona, the committee Chairman, who said he had not been informed of the mining.

Senator Goldwater, who is traveling in Taiwan, could not be reached for comment on Mr. Moynihan's resignation.

Mr. Moynihan said in an interview today that if he had known about United States involvement in directing the mining from an American-run mother ship outside Nicaraguan waters, he would have voted on April 5 against providing the CIA with $21 million in additional funds for covert activity in Nicaragua.

The money was approved overwhelmingly in the Senate, but the matter has not been taken up in the House.

The New York Senator said he first learned of the American role in the mining in an article in The Wall Street Journal on April 6.

Mr. Moynihan asserted that relations between the committee and the administration had worsened in the last few months.

"When the invasion of Grenada was about to take place, we were informed,' he said. "We knew that. We were told and didn't tell, that was our arrangement. They know what this relationship can be."

Mr. Moynihan, who will remain on the committee through the end of the year even though he will give up the vice chairmanship, acknowledged that it was factually correct, from reading the transcripts of the committee's meetings on March 8 and 13 with Mr. Casey, that the mining was mentioned. But he contended, as have some others on the committee, that it was too slight a reference to something as sensitive as the mining of another country's harbors.

He said in the interview that there was only "a single sentence of 27 words," in a 138-minute briefing that ran 84 pages. At the March 8 session, he said it was mentioned that "magnetic mines have been placed" but the implication was that this was being done by the Nicaraguan rebels themselves.

"This sentence was substantially repeated in a meeting on March 13," he said. "Nothing occurred which could be called a briefing on the mines," he said.

Another committee member, Senator Patrick Leahy, Democrat of Vermont, contends he was fully informed of the mining. He says that many others were too, and that they voted for the covert aid in the Senate, but because of the public outcry against the mining had since switched their position.

An aide to Senator Biden said Mr. Biden shared Mr. Moynihan's feeling that the group was not properly briefed in March," but that "the aide said that after an inquiry from the press in late March. Mr. Biden asked the committee staff on April 3 for further information. By coincidence the staff had a lengthy briefing at its own initiative with the CIA on the evening of April 2, a staff aide said today.

The staff then produced a memo for Mr. Biden on the details of the American involvement in the mining. That memo was given to Mr. Biden, who showed it to other Senators, but apparently not to Mr. Moynihan.

Mr. Moynihan was briefed orally on April 5 by a staff aide, however, about several intelligence developments, including the mining, but the aide said it was quite possible the Senator did not perceive the mining to be anything special at that time.

Representative Edward P. Boland, Chairman of the House Intelligence Committee, said Thursday that the CIA had informed his group on January 31 about the mining and he had no complaints about CIA compliance with the reporting requirements of the law, even though he opposes the covert aid.

When asked why the Senate committee was not briefed at about the same time, a CIA spokesman said Mr. Casey planned to brief both committees soon after Congress returned from its recess in late January. A meeting was set for February 20 with the Senate group, which was after the holidays of that month, but the committee postponed it until March 8 because it wanted Secretary of State George P. Shultz to be present too, and that was the first mutually convenient date.

Quoting from a Washington Post article of the same day, April 16, 1984: Leahy said,

> There were Senators who voted one way the week before and a different way the following week, who knew about the mining in both instances, and I think were influenced solely by the public opinion. And I think that's wrong and that's a lousy job of legislative action.

Another paragraph, same article from the Washington Post:

> Moynihan had asked for and received a legal opinion on mining from the State Department March 28, a week before he voted to support continued funding for covert operations.

And I presume to read to you an editorial of April 17, 1984, from the Washington Post, not a House organization and for the CIA. I don't agree, by the way, with all of the characterizations in this editorial, but it belongs in the historical record.

> When, a month ago, the Central Intelligence Agency briefed the Senate Select Committee on harbor mining operations in Nicaragua, Senator Daniel Patrick Moynihan was snoozing or otherwise occupied and the significance of the briefing sped past him unobserved. Now, in a characteristic bit of stagecraft, the Senator has resigned as vice chairman of the committee—'to make a point,' as he puts it.
>
> What point? That, during briefings on important espionage operations, members of the Select Committee on Intelligence ought to stay awake? Well, no, this is not Senator Moynihan's point exactly. His point, he says, is that the committee "was not properly briefed."
>
> That's so? Shall we examine the facts then? Let's. CIA Director William Casey met with the committee last month on March 8 and 13 to be precise. At both meetings, transcripts show, Mr. Casey mentioned the harbor mining operation. "Yes," complains Senator Moynihan, "but Mr. Casey was too brief," encapsulating the mining operation in a single sentence of only 27 words.
>
> All right. Mr. Casey might have been more expansive. But then Mr. Moynihan might have been more inquisitive—as inquisitive, say, as Senator Joseph R. Biden, Jr., the Delaware Democrat. Intrigued, Senator Biden asked the staff committee to find out what was going on. The staff, brought up to speed by the CIA, briefed Senator Biden in detail. Senator Biden shared this information with other Senators, though not, for some reason, with Senator Moynihan.
>
> We put it to you. Does this suggest that the CIA was holding back information? Or does it suggest instead that Senator Moynihan, entrusted with oversight of the CIA, performed this important duty indifferently, missed out on a telling disclosure, found himself looking rather foolish, and so resigned his semiexalted office to save face,

et cetera, et cetera.

Now, I simply suggest to you that the myth be that the CIA did not notify Congress is just that—a myth. But when people of prestige and stature repeat it, it becomes a part of the—perception becomes reality.

I wish I could think of a question to ask you, but I can't. Thank you.

Chairman **Hamilton**. Senator Nunn.

Mr. **Nunn**. Thank you very much, Mr. Chairman.

Mr. McFarlane, let me say I think there have been some very serious mistakes made, and I think you have acknowledged some of them during the course of your testimony. I also recognize there is a ledger sheet on Bud McFarlane that has a large plus sign also. I am aware of that.

I think all of us who work with you realize you have indeed spent a great deal of your life serving the county and in most instances serving it well. That does not diminish my concern about the mistakes or the seriousness of the mistakes, but I do think that should be on the record.

I would like to just ask you, I understand—I was absent this morning, but I understand that you said this morning that the organization of the administration for the conduct of foreign policy was intrinsically unworkable.

I would like to ask you in that context, if you look back in history, as I view it, the whole Contra operation and perhaps the reason why we are here today, started coming unglued with the mining of the harbor.

Now in terms of the decisionmaking process there, forgetting about whether Congress was told or which Senator was told or whatever, just the substance of the discussion, could you tell us about what kind of decision was made there, and how it was made and who made it?

I am speaking of the mining of the harbor in Nicaragua.

Mr. McFARLANE. Well, I will say, I say it seriously, and that is this was not one of the happiest episodes of decisionmaking. To the extent we expose this in public for others to see, I think it weakens confidence overseas and our country, and that is unfortunate.

I say that with no wish to hide what was an error, and I have to say I have worked for both parties in government. I have seen it happen in both. In this particular one, the issue was founded in a recognition by all—the Secretary of State, Defense, CIA, that a principal problem we faced in Nicaragua was the ability of the Sandinistas to rely upon Soviet support, material support coming in by ship predominantly.

That included weapons as well as nonmilitary supplies. Fair enough. That led to the question, what do you do about that? And among other things, from diplomatic persuasion, all the way up to the U.S. forces taking it on, there was a spectrum of possibilities, and then the issue focused upon mining as one possibility that didn't involve the use of American force, per se, but would be effective backing shipment of——

Mr. NUNN. Could you tell us who made that suggestion?

Mr. McFARLANE. I am not sure I recall, Senator Nunn. I say, but I am not certain, it was probably Director Casey. I am not sure.

Mr. NUNN. Go ahead. I don't want to interrupt. I want to get the reaction so we can get a feel about how this kind of decisionmaking takes place.

Mr. McFARLANE. Well, the discussion continued about pros and cons, and someone mentioned the fact what if there's a Soviet ship that you happen to blow up, and there was some reaction that we probably didn't want to do that. And others commented that, well, we could put out a notice there's going to be mines there, and somebody pointed out the obvious, you wouldn't accomplish anything, then, if people didn't deliver.

But, of course, then you would have kept everything out and even reasonable food for everybody, including Contras, would be kept out, and you didn't want to do that.

Someone suggested the idea, well, why don't you mine with something that won't sink the ship, so as to get around the problem of sinking a Russian ship. Well, someone made the point that that defeats the whole purpose because you are doing something violent but ineffective.

But at the end of the day, that's where everyone coalesced, that led to what has happened. It is not a very uplifting episode, but that's about it.

Mr. Nunn. Did that discussion take place at a National Security Council meeting, or what was the context of the discussion?

Mr. McFarlane. This was a meeting of principals, I believe the NSPG, which is principals only. That would have included the Cabinet officers plus the Chairman of the Joint Chiefs. At the time, Ambassador Kirkpatrick, Messrs. Meese, Baker, possibly Mr. Deaver.

Mr. Nunn. Was the President there during that discussion?

Mr. McFarlane. Yes, sir.

Mr. Nunn. Did he participate in the discussion?

Mr. McFarlane. Yes, sir.

Mr. Nunn. Did he make the decision himself, or was it a consensus counterproduct emerging? How involved was the President?

Mr. McFarlane. The President was fully involved and approved the recommendation by most around the table to go ahead.

Mr. Nunn. Was there dissent? Were there people who said no, I don't agree with this, during the course of that discussion on the final outcome, so to speak?

Mr. McFarlane. Well, I'm not certain I'm qualified to say with enough accuracy, not to perhaps disparage someone wrongly, Senator Nunn. There was some disagreement on it and then some people kind of waffled and said this and that, but that is normal.

Mr. Nunn. How should that have worked? You said the way this administraion is organized, the organization and the conduct of foreign policy is unworkable. How should that important decision, which has had so much to do—at least in my view—with the flow of events that transpired since then, how should that decision have been arrived at?

Mr. McFarlane. Well, setting aside the analysis that might have led you away from a covert action in Nicaragua in the first place, once you have decided to do one, then there are many, many kinds of things you might do—political action, nonviolent action, propaganda.

But to answer your question, when it comes to the issue of that meeting, how do you affect or limit Soviet shipments to Nicaragua, the CIA working with the Joint Chiefs should have been tasked to analyze the problem, how do you solve that problem, and they would have come up with half a dozen different ideas that raised, both in levels of forces from zero to massive, from United States involvement to noninvolvement, from—well, a lot of other ways that have various costs, and the risk of each of these and the probabilities of success would be assessed.

A third factor would be a pretty thorough scrub of the risks and possible gains of going with seven or eight different options.

Mr. Nunn. You are saying that really wasn't done?

Mr. McFarlane. I don't think it was.

Mr. Nunn. You did not have a risk-cost kind of analysis by anyone really?

Mr. McFarlane. There was an analysis done. It was not very broad.

Mr. Nunn. Was all of that done in the course of one meeting or did it transpire over 1, 2, or 3 weeks, or how long did it take to make that decision?

Mr. McFarlane. I think it did take at least two meetings, and with activity in between.

Mr. Nunn. Did the President ask for any kind of cost relationship on the downside of it? Were risks adequately assessed?

Mr. McFarlane. I believe he did. He did ask a number of questions the first time it was brought up, and there were no answers available at the time, so we discussed it again, as I remember.

Mr. Nunn. I'm trying to get to what the problem was here, because you are saying the administration was—is not organized, was not when you were there, for foreign policy decisions. And this is one we agree, I think everyone agrees, was not handled well, and I'm trying to assess what went wrong here.

Basically you are saying it was not a thorough analysis, the chiefs and military were not given the task of looking at both sides of it, there was not a thorough presentation by the CIA as to the downside as well as the upside.

Is that a fair capturing of what you are saying, or are there other elements that went wrong?

Mr. McFarlane. I think that is fair, Mr. Chairman.

Mr. Nunn. It was not a thorough businesslike way of arriving at the decision?

Mr. McFarlane. That is fair, I think.

Mr. Nunn. Was the President involved here in all aspects of this decision itself?

Mr. McFarlane. Yes, sir, he was. And I don't want to cast excessive aspersions. I think he was badly served, by me and others.

Mr. Nunn. Was he detached in making this—some people say this is a detached President in foreign policy. Was he detached on this decision or was he there and involved?

Mr. McFarlane. I think it is largely a bum rap. President Reagan has always understood his responsibilities to lend United States influence to keeping the peace, improving things generally around the world. He is open entirely to the proposals of Cabinet officers with good ideas if they exist, and I think it's more in the latter category we have had so many problems in the past few years.

I don't think it's the President, because he has earnestly sought how do we solve this problem, how do we get on with this one. And there hasn't been a lot coming his way.

Mr. Nunn. Where does the responsibility lie, then, for the administraion that is not organized for the effective conducting of foreign policy? If it is not the President, where is the responsibility?

Mr. McFarlane. I think responsibility lies with me, it lies generically with the competence of the people involved in offices that are encumbents nowadays.

Mr. Nunn. Mr. Chairman, I think my time has expired.

Thank you, Mr. McFarlane.

Chairman Hamilton. The Chair recognizes Mr. Rodino.

Mr. Rodino. Thank you, Mr. Chairman.

Mr. McFarlane, we may be covering the same ground, but please bear with me, because I am trying to understand some of the answers that you have given and I may refer you to, first of all, the question that was put to you originally by Senator Mitchell.

Senator Mitchell talked about obstruction of justice and the shredding party and you did say that you did not, if I recall, in any way advise Colonel North that that was not the proper thing to do, that that was illegal; is that right?

Mr. McFarlane. That is right. And I deserve responsibility and I ought to be prosecuted to the full extent of the law and sent away.

Mr. Rodino. Well, it is not the intention of this——

Mr. McFarlane. I am sorry. I don't mean to be frivolous about it.

Mr. Rodino. It is not the intention of this Member to try to decide guilt or innocence or whether or not you committed a crime. We are trying to put this thing in perspective and we are attempting to explore just what did occur and how it occurred.

A followup question: You were riding with Colonel North at the time. Why did you not, knowing that you were going to see the Attorney General, tell the Attorney General?

Mr. McFarlane. I should have, Mr. Chairman. At the time, I honestly took what he said to have been what Ollie North would often say to make sure that I understood that he was going to protect me, whatever, whatever happened.

I didn't take it as expressive of his intention to carry out a massive obstruction of justice.

Now, I think I was wrong and I think that I am justifiably wrong about that.

Mr. Rodino. Well, let me bring you to another area, Mr. McFarlane. The question of your having learned about the diversion of funds from the Iran sales to the Contras.

In your first meeting with the Attorney General that Friday, I think that you said that the Attorney General did not ask you, notwithstanding the fact that you had learned from Colonel North when he said to you that it had been approved, you did hear Colonel North tell you that; is that correct?

Mr. McFarlane. Yes, sir.

Mr. Rodino. And you did not bother to ask him as to who had given him approval, did you?

Mr. McFarlane. No, sir.

Mr. Rodino. You also, I think, in answer to a question put to you by Chairman Inouye, state that had you been the National Security Adviser at that time, that before you would grant approval to Colonel North, that you would have consulted with the President or advised the President; is that correct?

Mr. McFarlane. Yes, Mr. Chairman.

Mr. Rodino. Would you have expected that Admiral Poindexter should have, if he gave approval to Colonel North, should he have also discussed this with the President?

Mr. McFarlane. Yes, sir.

Mr. Rodino. Do you have any reason to believe that Admiral Poindexter did discuss this with the President?

Mr. McFarlane. I have no knowledge of it. It may be that he was informed ex post.

Mr. Rodino. You would have expected him to?

Mr. McFarlane. If he learned of it before the fact, I think he would have.

Mr. RODINO. On that Monday meeting with the Attorney General, you did not tell the Attorney General at that time that there had been told to you by Colonel North that there had been a diversion of funds; is that correct?

Mr. MCFARLANE. I did acknowledge that on Monday.

Mr. RODINO. You acknowledged that on Monday?

Mr. MCFARLANE. Yes, sir, I did.

Mr. RODINO. And you told the Attorney General that Colonel North had told you that he had approval for the diversion?

Mr. MCFARLANE. What I said yes to was what I thought was the question. That is, did I tell the Attorney General there had been a diversion when I was so informed, yes, I did.

Mr. RODINO. You told the Attorney General?

Mr. MCFARLANE. That is correct.

Mr. RODINO. Mr. McFarlane, you stated that when Country Two later doubled the level of its contribution, the President was not surprised because apparently he had already been informed of this himself in a meeting with a head of state from Country Two.

And I think you also made some reference to the President's diary containing a note that the head of state had brought up this contribution with the President at that time; is that correct?

Mr. MCFARLANE. Yes, Mr. Chairman. I believe that is right.

Mr. RODINO. How did you know that the President's diary contained such a note?

Mr. MCFARLANE. I was so informed by a member of the White House staff because I was asked myself and I don't honestly recall who it was, one of the members of an investigative body—there have been quite a few—whether he did or not, and I said as far as I know, the President did not raise this issue and I said that on the basis of his having come out of the meeting and debriefed the Secretary of State and myself about what came up and there was no mention of it, nor what we had given him in the way of cards and recommendations of things he might bring up.

There was no mention of this either. So I was going to give that to the committee, but I called the White House to—the National Security Council staff and I said, "I understand this is the way it was," but I understand the White House press spokesman has said today——

Mr. RODINO. That is today?

Mr. MCFARLANE. No. On the day I had this telephone conversation back in January.

I understand your press spokesman has refused to state that the President did not bring this up, and I said I don't understand. And I was told at the time, well, the President did not bring it up, and I will so advise the press spokesman. But the problem is that the counterpart, the visiting head of state, did and volunteered it. That is the extent of my knowledge on it, sir.

Mr. RODINO. I am advised that it has been reported that the President today mentioned the fact that there was such a notation in his diary.

Chairman HAMILTON. Mr. Rodino, excuse me for interrupting, but may I point out that reference to the President's notes and diaries here, under the agreement that we have had with the White House, is off limits for us.

Mr. Rodino. I understand that was mentioned today publicly?

Chairman Hamilton. I understand that, but nonetheless the agreement that we have reached with the White House is that we are not to use those for purposes of public discussion. I can't help what happened in the public arena today.

Mr. Rodino. Mr. McFarlane, let me say that I personally, I do appreciate the circumstances under which you appear here today. As a matter of fact, I applauded the opening statement that you made.

You talked and you talked in a manner that I think all of us would have to applaud and agree with about your understanding of the rule of law, and that this system of ours really cannot survive, cannot succeed in any way unless there is a completed adherence and understanding that the rule of law is supreme.

You went on to say how important it is to consult with the Congress and to assure that only in this way are we going to be able to succeed in any kind of foreign policy, especially. And you were very impressive about that.

However, let me just recall to what I think was called to your attention by Mr. Liman. That was a document, which I think you entitled "a perspective," and this is a document that was written in 1986, and, I guess, of all the disclosures you were concerned with how maybe the President might recoup and how he might be able to better succeed in presenting himself by being nonconfrontational. He went on to make some proposals.

Then you finally stated, and this is a puzzling statement that occurred there, this was your comment and it is not only puzzling, it confuses me, and I wonder what you were trying to suggest?

Mr. Garment. What exhibit is that, Mr. Chairman?

Mr. Rodino. This was a document I think called, "perspective."

Mr. Garment. Is it one of the documents that we have?

Mr. Rodino. I think the document is——

Mr. Garment. I have it.

Mr. Rodino. You have the document?

Mr. Garment. Yes.

Mr. Rodino. And you make what you call a final comment. You say, "I lived through Watergate, John. Well-meaning people who were in on the early planning of the communications strategy didn't intend to lie but ultimately came around to it."

I am puzzled, Mr. McFarlane. What were you trying to suggest?

Were you trying to suggest that in this case as well, that well-intended people would ultimately be lying, would attempt to cover up, or were?

Mr. McFarlane. No, sir. I wasn't at all.

I believe if you will read the sentence just before that paragraph, where I say, "We cannot avoid laying out the whole thing here."

That was my intention, Mr. Chairman. I suggested that in the first call that received from Admiral Poindexter on November 4, when I went back to him for lunch with Dr. Keel. I said, John, you have got to get the whole thing out right away.

Mr. Rodino. You were concerned; weren't you?

Mr. McFarlane. Yes, sir, I was.

Mr. Rodino. You were concerned that looking back that we had had an experience which we wouldn't want to go through again, and yet we find ourselves now with the possibility of a certain situation, and you reflected on this, and you made certain to warn Admiral Poindexter; isn't that correct?

Mr. McFARLANE. Yes, Mr. Chairman.

Mr. RODINO. The only question that I want to ask again is having said that, and knowing what has been expressed on the record, the appearances of various witnesses before this committee, is there an attempt on the part of people not to say it all? I mean, we come so close.

I listened to you, and I recognize how, if you will forgive me for saying it, how really torn you appear to be in wanting to say it all because you are a person who is indeed patriotic, who feels deeply; and yet somehow or other, we come to that point, and invariably, even you have had to compromise your statements, and have said, well, I said it up to a point, but I don't know.

Mr. McFARLANE. Mr. Chairman, I believe that in everything I have said here I have been truthful. I have said that I believe because I was in charge if things happened that were illegal, whether or not I knew about them, I am responsible. And that isn't just a kind of a brushoff, acceptance of the captain of the ship role.

I intend to mean by that the full meaning of the law and punishment by it. I have testified here and elsewhere about the events concerning cover up in the week of November 17 and have given an honest account of it.

I have testified about my trip to Iran and about the errors that I think governed in each one of these situations, errors that were my fault, and I don't know what else I can tell you to make clear that there is nothing that North did for which I don't feel responsible. And I don't even know today what all that is.

I think that there are two parts to the resolution of the problem.

First of all, we certainly, you, I, everyone here owe the country a full account of just what did happen in the interest of reform and punishment of those responsible as a lesson to those who follow.

Then there is another family of issues, once we have determined why it happened, and that is beyond the legal sanctions, what has been the institutional change of the Congress and the Presidency to make sure it didn't happen again. But I think we can do it.

Mr. RODINO. Well, let me just say, Mr. Chairman, when you talk about institutional changes, I believe that our institutions are strong and I believe that our institutions serve us well, providing we have the men and women who serve in those institutions who uphold what is basic in this system of government, and that is the law.

Mr. McFARLANE. I agree, sir.

Chairman INOUYE. I am pleased to recognize Senator Cohen.

Mr. COHEN. Thank you, Mr. Chairman.

Mr. McFarlane, first let me say that you need not apologize for any emotional response to Senator Rudman. He provokes that response from most of us at least several times during the course of a day.

Second, let me say, if I had a choice to have either Senator Hatch or Senator Rudman angry at me, I'd take Senator Hatch rather than Senator Rudman.

Let me point out that it is not a question of anyone challenging your motivation or those of the—some of the principal people involved. I think it is really a question of judgment. And it is not a question of evil intent but a question of excess in action and whether that zeal in carrying out a cause obscured judgment, and whether that zeal succeeded in sort of disfiguring the foreign policy mechanism that we've just been talking about today.

I have been troubled by what I regard as sort of a metaphysical exercise in the definition of "solicitation." It seems to me that we have been engaged in performing this exercise of trying to define how many foreign leaders can be made to dance on the head of the President's Contra program without calling it a solicitation.

I must say that I find it strained and artificial in terms of trying to define what the word means. I tried to put it in the context of our own experience. Everyone at this table knows what I am talking about.

If we have a situation hypothetically of a Senator or Congressman who invites, let's say, a wealthy industrialist to his office or to his private home and they sit down and start talking and the industrialist says, look, part of my problem is the tax reform bill coming up in the Senate and the House, and if there are some changes made dealing with a depletion allowance or another recovery provision of the tax code, I will be in serious trouble, my company will be in serious trouble, the industry itself will be in a serious position. We hope that that simply will not take place in the upcoming deliberations on the part of the Congress. And then the industrialist turns to the Senator or Congressman and says, Senator, what's your problem?

And the Senator says, well, you know, I'm running for re-election, my campaign is rather empty, we are running on empty in the campaign, unless I get an infusion of some substantial amounts of cash then I'm not going to be able to get my message out.

The industrialist responds and says that we can't—that shouldn't take place, we want to make sure people like you stay in office so the message can get out.

Nothing else is said. Two days later a large amount of money is infused into the campaign from that wealthy industrialist.

I would say by any definition that I have made an appeal for a contribution. You call it an appeal, a solicitation. I think that is what occurred.

I would say the same thing is true with respect to the appeal for help for the Contras, and I'm not concerned about whether the President stepped over the line. Frankly, I have serious questions as to whether Congress can pass any law that would prohibit the President of the United States from asking a third country for help. I have some serious questions as to whether the Constitution would let us do that.

The real question is: What are the policy implications that flow from it?

If, for example, that contribution from the industrialist is not reported to the regulatory authorities as such, we have a problem as to whether our constituents can ever tell whether the vote that subsequently followed in changing the Tax Code was prompted by that contribution. We have to file notice of contributions.

When you have a situation in foreign policy, unless the Congress and therefore the country is on notice that Country Two or Three or Four has made substantial contributions to carry out a particular program, then we never know what the implications are.

What is required in return at some future time with respect to Country Two, for example? I think it is well known that during 1985 there were serious questions being raised by a number of members of Congress that that country had not, in fact, acted consistently with some expectations that they would help to use their influence in a certain region of the world. So questions are being raised about whether or not prior commitments would be kept by us to them.

And so without the knowledge that these appeals—or solicitations, by another name—were being carried on, then Congress really doesn't know what we are being committed to. That really is the question about the desirability of foreign policy being conducted in that fashion. That is the only reason I raise the issue.

Second, I would talk about General Secord.

He apparently felt compelled to go on one of the networks the other evening to reveal that Oliver North gave a tour to a number of Iranians at the White House. I don't know what they are putting in the milk at Quantico, but there seems to be a compulsion on the part of one service to suffer some affliction that we have to give midnight tours either in Moscow or in Washington.

Apparently we didn't ask General Secord the right questions. He didn't volunteer it to us.

This has been a problem, I must say on behalf of my colleagues, on this—on these two tiers that we have had, and I think you have recognized there is such an element of distrust where members of the administraion are not volunteering information to the committees, where that distrust is not only between Congress and the executive branch, but within the executive branch.

We have evidence—I think you are aware of it—that the Secretary of State wasn't notified because he couldn't be trusted on some details. We know that even the White House counsellor couldn't be trusted because they were afraid he would give them the wrong kind of an opinion or it might leak out. We have a pervasive sense of distrust.

I think the benefit of your testimony today and the last two days has been that you are asking that we somehow raise not the white flag, but the red, white, and blue flag, both in Congress and in the executive branch, to call a truce as to what is taking place with respect to foreign policy.

I would like to ask you a couple of questions in response to Senator Rudman—it was not quite clear to me what you were suggesting.

I assume—correct me if I am wrong—you would agree that if a covert operation is being carried out or about to be carried out, that either prior—there should be a finding in writing, and that a prior notification, or notification within a reasonable time, is required under the law?

Mr. McFarlane. I agree with that.

Mr. COHEN. So even though we are trying to carry out a noble effort, nonetheless the President still has to proceed with the established policy of finding, notification, within a reasonable time?

Mr. MCFARLANE. No question about it. In my answer I wasn't very clear. It was to the point that this being somebody in the FBI or the DEA, current law doesn't require it. Unfortunately, I think, but only because of that.

Mr. COHEN. Was there a backup plan to rescue the hostages in the event they couldn't be ransomed?

Mr. MCFARLANE. There's been quite a lot of planning on it. There is no finally approved plan for it.

Mr. COHEN. But there were preliminary plans for a rescue mission to be carried out?

Mr. MCFARLANE. Yes, sir. I know there was planning on that.

Mr. COHEN. Can I ask you a question as to whether you ever suspected that Oliver North was taking instructions not from you, but from the DCI?

Mr. MCFARLANE. Yes, sir.

Mr. COHEN. Would you explain, please?

Mr. MCFARLANE. I probably shouldn't say that. I became aware in the fall of 1985 that Ollie had more contact than I had realized with the Director and he mentioned, and I think it was entirely offhand and intended comically at one point to say that the Director had volunteered a million dollars. And he laughed. And I think it probably was comic.

But it was expressive of a relationship that surprised me.

Mr. COHEN. Did you come to believe that perhaps Mr. Casey was giving him instructions in how to conduct this particular operation with respect to either Nicaragua or Iran?

Mr. MCFARLANE. Senator Cohen, I think so.

Mr. COHEN. In fact, we have evidence that Colonel North was calling the chief of station in a Central American country and having him report to Colonel North. We have an ambassador being called in Lebanon, having him report to Colonel North.

It is rather clear that Oliver North was acting under the—at least the aegis of Director Casey during this time?

Mr. MCFARLANE. Yes, sir.

Mr. COHEN. What evidence did Oliver North have when you were riding in that car and he told you he suspected Mr. Ledeen and Mr. Schwimmer were making a profit on the deal? What did he say?

Mr. MCFARLANE. The way I remember it, he was kind of reflective for a few moments, sitting there looking out the window as we drove down Western Avenue.

After a while of just sitting there, he said, "Bud, I am afraid that Michael may have made some money on this." I felt for a long time that there was something between him—between he and Schwimmer for—he may have said skimming or something like that. I said, "Well, what do you mean?"

And he kind of changed the subject in some way.

Mr. COHEN. Were you ever made aware that Mr. Ledeen came back into the United States with substantial amounts of cash?

Mr. MCFARLANE. No, sir.

Mr. COHEN. General Secord sort of implicitly was critical in the way you conducted the so-called negotiations in the spring of 1986.

He testified that there was no expectation that we would get all the hostages back on that trip and was rather surprised that you felt we would.

Was General Secord in on the planning insofar as to how many hostages would be brought out in return for the two planeloads of equipment?

Mr. McFARLANE. I don't know what his role was before the mission. I expect that he and Ollie—that Ollie must have kept him informed, but I think the General said what he said last week in good faith, that he and I had very different understandings about what the terms of the trip were.

Mr. COHEN. You were the one who was responsible or charged by the President of the United States to go over what the terms were going to be?

Mr. McFARLANE. That is right.

Mr. COHEN. Not General Secord and not Oliver North?

Mr. McFARLANE. That is correct.

Mr. COHEN. Now, you indicated yesterday that Oliver North wouldn't do anything without approval. I guess the fundamental question I have is, why would he destroy the very document that would verify his story?

Mr. McFARLANE. It may have been out of loyalty to the Admiral and believing it would also benefit the President. I don't know, sir.

Mr. COHEN. It would do one of two things. either he had the authority that was approved by Admiral Poindexter and presumably the President. If he had the authority, that would verify his story. He would destroy that memo, that would protect the President and Admiral Poindexter.

Or if he didn't have the authority, that memo might be misconstrued as suggesting that perhaps the President or Poindexter had knowledge.

For that reason, he destroyed it. Either one; is that correct?

Mr. McFARLANE. Yes, sir.

Mr. COHEN. Can you tell me why—what happened on that tarmac in Israel that prompted you to raise the issue of perhaps asking Ollie North to go to Bethesda for some rest? What happened on the tarmac? I think you indicated during your direct testimony that something prompted you at that time to suggest some rest for him?

Mr. McFARLANE. I'm glad you bring that up, because that isn't really what I was suggesting. I think anybody reading it gets that impression, but it is this: the Bethesda connotation, for me, was a Board of Survey based upon combat wounds. There is nothing at all psychiatric involved in it. Years ago in the war, Ollie had wounds which for the normal person would have resulted in his being surveyed out of the Marine Corps.

My understanding was there was a Board of Survey and they could have put him out of the Marine Corps, but he insisted and was successful in persuading the Marine leadership not to survey him out, but on combat wounds, not any other kind of disorder. That is what I had reference to in Bethesda. That is the Board of Survey.

Mr. COHEN. As late as 1986 they were still trying to certify him proper for discharge at that point?

Mr. McFarlane. It was set aside back 10 years ago, but those are reviewed periodically, and a member can, if the wounds suddenly recur, ask that they be reviewed.

Mr. Cohen. A final area for me to inquire about, you are aware of the so-called Khashoggi white paper.

Mr. McFarlane. Yes, sir.

Mr. Cohen. Does Mr. Khashoggi strike you as being a sort of philosopher?

Mr. McFarlane. I would not say that, no, sir.

Mr. Cohen. Mr. Ghorbanifar strike you as being philosophically inclined?

Mr. McFarlane. No, sir.

Mr. Cohen. You recall that Ted Shackley, back in 1984, sent a memo to Vernon Walters suggesting we have a new relationship with Iran. Were you aware of that?

Mr. McFarlane. No, sir.

Mr. Cohen. That that recommendation was discarded and that the memo was rewritten in June of 1985, actually June 7 of 1985, it was sort of retyped and given to Michael Ledeen. Are you aware of that?

Mr. McFarlane. No, sir.

Mr. Cohen. That Michael Ledeen gave it to Oliver North?

Mr. McFarlane. I didn't know that.

Mr. Cohen. Are you aware of a John Shaheen?

Mr. McFarlane. The name is familiar. I believe he was associated with Mr. Khashoggi.

Mr. Cohen. Actually he was a very close friend of Bill Casey's. They served together in World War II in the OSS, and John Shaheen floated a possible hostage initiative on behalf of Cyrus Hashemi, who was an Iranian who had been indicted for an arms sale to Iran, and that proposal was determined by the State Department to be unworthy of pursuit.

Were you aware that was being done at the same time we had a paper being prepared by—a recommendation by John Shaheen?

Mr. McFarlane. No, sir, I don't.

Mr. Cohen. Were you aware that the State Department looked behind the Shaheen proposal and saw Mr. Ghorbanifar?

Mr. McFarlane. No, sir.

Mr. Cohen. What did you do with Mr. Khashoggi's paper?

Mr. McFarlane. After the first one arrived back in 1982, I believe, I had them routinely sent across the street to the staff whenever they would arrive and file or forgotten or——

Mr. Cohen. It was dated July 1, I believe.

Mr. McFarlane. That's what I am told, yes.

Mr. Cohen. And there were portions of that particular white paper that were prepared, at least allegedly, by Mr. Ghorbanifar back in February of 1985.

Mr. McFarlane. I didn't see it. I don't know.

Mr. Cohen. Did you ever have a chance to compare what the CIA's analysis was and how it comported or compared with the Khashoggi paper?

Mr. McFarlane. No, sir.

Mr. Cohen. That's all I have, Mr. Chairman. Thank you.

Chairman **Inouye**. The House is voting at this moment, and I have been asked by the chairman to hold on until his return. So if I may call a short recess until the return of Chairman Hamilton.

[Recess.]

Chairman **Hamilton**. We have completed our testimony and questioning for today. Tomorrow we will begin with Mr. McFarlane and hope that we can finish him as a witness, at least tomorrow morning. We have two other witnesses scheduled—Gaston Sigur and Robert Owen. Of course, we will proceed as far as we can.

Chairman **Inouye**. Mr. Chairman?

Chairman **Hamilton**. Chairman Inouye?

Chairman **Inouye**. Mr. Chairman, on a point of personal privilege, I have been requested by a member of the U.S. Senate to have this letter dated April 9, 1984 addressed to Honorable William J. Casey from Barry Goldwater to be made part of the record.

Chairman **Hamilton**. Without objection, so ordered.

Chairman **Hamilton**. Any other requests? If not, the committee stands in recess until 10 o'clock tomorrow morning.

[Whereupon, at 5:07 p.m., the committee was adjourned, to reconvene at 10:00 a.m., Thursday, May 14, 1987.].

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Robert C. McFarlane; Testimony of Gaston J. Sigur, Jr., and Robert W. Owen

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THURSDAY, MAY 14, 1987

House Select Committee To Investigate
Covert Arms Transactions With Iran
and
Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition,
Washington, DC.

The select committees met, pursuant to call, at 10:03 a.m., in Room 2172, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

Chairman **Hamilton**. The joint hearings of the House and Senate Select Committees will come to order.

The Chair recognizes the gentleman from Illinois, for a unanimous consent request.

Mr. **Hyde**. Mr. Chairman, I ask unanimous consent to insert in the record following an insertion made yesterday at the behest of Senator Inouye, a Washington Post editorial, Tuesday, April 17, 1984; a Washington Post article, April 16, 1984 by Joanne Omang and Charles Babcock; and a New York Times article of November 16, 1984 by Bernard Gwertzman.

Chairman **Hamilton**. Without objection, they will be entered into the record.

Chairman **Hamilton**. The Chair is advised that the Senate is voting. We will go ahead anyway because we want to try to complete this morning our sessions with Mr. McFarlane.

This afternoon, we will turn to Mr. Gaston Sigur and Mr. Robert Owen as the two witnesses. Mr. McFarlane, I remind you once again that you continue under oath, as I know you understand.

We will begin the questioning with Congressman Brooks.

Mr. **Brooks**. Thank you very much, Mr. Chairman, and good morning again, Mr. McFarlane. You can be happy today. This is the last day you are going to be here.

Mr. **McFarlane**. Good morning, sir.

Mr. **Brooks**. I wanted to remove a few doubts in my mind, which I think you could, a few little nagging things, but I wondered, did you have any other meetings with the Iranians after you left the meeting in Tehran, when you abruptly left after learning that all the hostages would not be released in exchange for weapons?

Mr. McFARLANE. No, sir, I have not.

Mr. BROOKS. You had no other meetings?

Mr. McFARLANE. No, sir, I did not.

Mr. BROOKS. And during any of your meetings while in Iran, was there any discussion of the $454 million frozen funds which the State Department just the other day within the last couple days has announced they are going to release to Iran?

Mr. McFARLANE. There was a mention of it by the most senior person that I met with from the government. His point was to insist that this money had been held wrongfully by us and ought to be released.

Mr. BROOKS. Did you mention that they were wrongfully holding hostages that belong to us?

Mr. McFARLANE. At some length, yes, sir.

Mr. BROOKS. Was there any discussion about supplying Iran with top secret military intelligence in exchange for keeping the secret information about CIA intelligence network that they had secured by before he died?

Mr. McFARLANE. That subject——

Mr. BROOKS. They had threatened to give it to the Russians, I understand. Was there any discussion of their keeping it in exchange for weapons or whatever?

Mr. McFARLANE. Mr. Chairman, I have seen those reports, and utterly false. In no sense ever in my hearing was any such so-called deal ever proposed or even considered, discussed, or otherwise mentioned.

Mr. BROOKS. Now, Mr. McFarlane, you testified on two occasions that you asked Colonel North if he had approval for diverting funds from the Iranian arms sales to the Contras, and he said, yes, that he would never do anything without approval.

What do you think he meant by approval? By whom?

Mr. McFARLANE. I had the impression that that had to mean at least by Admiral Poindexter, and that I have no basis for judging beyond that. He made no other comment on it.

Mr. BROOKS. Well, based on your knowledge of the structure in the White House and the National Security Council, do you believe that only Poindexter would have made a major decision like that to divert funds to the Contras, or would that decision have necessitated the approval of the Chief Executive of the country?

Mr. McFARLANE. Mr. Chairman, I think my own knowledge on it extends only to what I have said. Something of that magnitude, assuming it were brought to the Admiral's attention, I am sure he would not undertake on his own authority, but because I cannot say conclusively that it was indeed brought to his attention and on to anybody else's, I am speculating here.

Mr. BROOKS. When you were head of the National Security Council and a decision like that would have been made, would you have made a unilateral decision to extend money to the Contras in violation of the Congressional law?

Mr. McFARLANE. No, sir.

Mr. BROOKS. Not without checking with the President; is that right?

Mr. McFarlane. That is right, sir.

Mr. Brooks. Now, Mr. McFarlane, I note in the paper this morning that it is said that you helped twice with the Saudis to get funds for the Contras, once before the Boland amendment, and then once—there is an allegation that, when the king came over in 1985 and visited with the President, that you went out there to McLean, in that low rent area—and you have to pay for your own garbage out there, I will tell you that.

You went out and visited at the Ambassador's residence and talked with the king and asked for $15 million to help the Contras.

Did you have that meeting?

Mr. McFarlane. Mr. Chairman, I have testified fully and truthfully as to my involvement in the provision of funds by that country.

I have seen the reports of this morning's newspaper. It seems to me more than anything else sad that this government is put in that position, and I think it ought not be in that position.

I stand by everything I have testified to.

It is perhaps worthwhile to also note that the committee has had available to it the record that is kept of my schedule of everywhere that I come and go and when and how long it lasts, and I urge that it be examined to see whether there is any apparent discrepancy.

Mr. Brooks. I don't mean to trouble you, but did you have that meeting with the king out there or not?

Mr. McFarlane. I remember no such meeting, sir.

Mr. Brooks. You remember no such meeting. You don't say there was none?

Mr. McFarlane. Well, I have met with His Highness in Saudi Arabia. I don't believe that we had any meeting here.

I was present at his meeting with President Reagan except for the last 10-minute one-on-one. I don't believe there was any meeting at the residence.

Mr. Brooks. All right.

Now, Mr. McFarlane, are you aware of any U.S. funds other than those from the Iranian arms sales that found their way into the contra effort or were intended to go to the Contras directly or indirectly such as AID funds, State Department funds, currency exchange activities or any other device for transferring money?

Mr. McFarlane. No, sir.

Mr. Brooks. Now, yesterday you testified that you discussed activities of Colonel North and the Boland amendment with President Reagan, and you indicated that you were concerned that Colonel North might try to raise money during his speaking engagements on behalf of the Contras, but that the President had a far more liberal interpretation of the Boland amendment than you did—and what did you mean by a "more liberal interpretation"?

Could you describe the conversations that led to that conclusion, your conclusions?

Mr. McFarlane. Yes, sir.

I think it is probably a poor choice of words on my part. What I intended was to reflect that in our conversations the President often noted his belief that the tradition in the United States of helping freedom fighters, as he referred to them, was very clear and he thought entirely legal.

He would refer occasionally to the volunteers that fought in the Spanish Civil War in the 1930's, referred to others that have gone overseas to fight before we were formally at war, joined other countries' armed forces, and said that he believed that this tradition that goes all the way back to our own Revolution and the assistance we got from the French—is one that we should be—should identify with and support, but that is not to say that he urged or in any way authorized me or anyone else to take any illegal activity.

And on your first point, sir, if I implied that I was telling him about possible violations of law by Colonel North, I didn't intend that.

What I would say is, Colonel North is out speaking—I said it just like that, reported that it was to groups that, in many cases, were supportive, other times not.

Mr. Brooks. Mr. McFarlane, just a few more questions. On your trip to Teheran in 1986, by whom were you employed?

Mr. McFarlane. I was self-employed at the time, sir.

Mr. Brooks. And from whom did you get our instructions?

Mr. McFarlane. I received from Admiral Poindexter, I believe, four pages of typed instructions called terms of reference. I asked whether the Cabinet had been involved, or Secretary Shultz in particular, and he said that he had and that these instructions were approved by the President.

Mr. Brooks. And did you consider yourself to be in charge of that activity while that trip was underway?

Mr. McFarlane. Yes sir, I did.

Mr. Brooks. What led you to that conclusion?

Mr. McFarlane. Well, I was the senior person on the trip. I wouldn't have gone if I hadn't been in charge.

Mr. Brooks. What authority did Colonel North have to order the second planeload of weapons dispatched?

Mr. McFarlane. Well, I think it was the kind of anticipatory initiative that an aggressive young officer might take, but he didn't do anything that would have been prejudicial that I could not stop and turn around. His motive was no doubt for a sure readiness for a contingent possibility that just never matured, and I turned it off. It could have been that way.

Mr. Brooks. Could have been.

Who received the order from Colonel North and why would they carry it out if you were in charge for a major aspect of that which is the second planeload of parts?

Mr. McFarlane. Well, I expect that he communicated back to the command post in Tel Aviv and passed the word there. But it was a little over-exuberant, yes sir.

Mr. Brooks. To whom did you give the order to turn that plane around, if you did?

Mr. McFarlane. To Colonel North.

Mr. Brooks. And he then executed it?

Mr. McFarlane. Yes sir.

Mr. Brooks. What was your reaction to Colonel North when you learned that he had ordered that second plane to take off without any instructions from you?

Mr. McFarlane. Well, I was upset and very abrupt with him, and short. He explained what contingent possibility of release of two people that morning had led him to do that and the commitment firmly that the Iranians had made that that would occur, and to avoid waking me, and to be ready for it if it did, he took that action. But he also didn't take it before such time as would have—it would have been impossible for me to turn it around. That is, he did it late enough to where he knew that the plane would not have reached the point of no return on its fuel and so forth.

Mr. BROOKS. Did you report this act of insubordination to Admiral Poindexter or anyone else on your return?

Mr. MCFARLANE. I didn't, but throughout the trip we had communications between the rear station in Washington, the situation room, as well as Tel Aviv there, so I assumed that all of this history was being put down in logs at each of those locations.

Mr. BROOKS. I thank you very much, and my time has expired.

Chairman HAMILTON. The Chair recognizes the Majority Leader, Mr. Foley.

Mr. FOLEY. Mr. Chairman, I have no questions.

Chairman HAMILTON. The Chair recognizes Mr. McCollum.

Mr. MCCOLLUM. Thank you very much, Mr. Chairman.

In following up on the Teheran questions that Mr. Brooks was just asking you, some things occur to me. In anticipation of this trip to Teheran was there any advance trip that went over there, advance group that went to Teheran to prepare the way, or was the meeting that you had earlier the only one there was to prepare for this?

Mr. MCFARLANE. It was the only one.

Mr. MCCOLLUM. General Secord, in his testimony last week, was very critical of the fact there was no advance trip, and I will quote from what he said in response to questions on that area.

He said,

> It was strongly recommended by three of us—Nir, myself and North—were all recommending that a prefatory meeting take place. There was, after all, as far as I knew, no agenda agreed to for this meeting. So it seemed, to me at least, that—I think to the others—to be not well organized. In fact, I have been to many, many international meetings and I don't think I have ever been to one where there wasn't some prefatory work done in advance. However, the position was taken that there would be no advance prefatory meeting and the terms and conditions that had been agreed to in Frankfurt were sufficient in that they would—and that the Iranian side would simply have to deal with that. So there was no advance meeting and that was a big mistake.

Do you have any response to that comment by General Secord? Do you think he was accurate that it was a big mistake not to have had an advance meeting, or can you tell us why there was none?

Mr. MCFARLANE. I think it is a very valid comment and, had I known that the preparations such as you mentioned— agreement on the agenda, clear agreement to the terms for the release of the hostages, commitments that were credible on the counterpart that would meet with me in those sessions—all those, I was assured, were resolved.

Obviously they were not, and it is in part a consequence that there wasn't enough preparation. I was told that at the Frankfurt meeting the agenda was agreed and so forth and all these other things were in place.

Mr. MCCOLLUM. Who assured you these things were resolved? Admiral Poindexter, Ghorbanifar, who?

Mr. McFarlane. Admiral Poindexter and Colonel North.

Mr. McCollum. General Secord also was asked some questions relative to the discussions that took place regarding the hostages. He said prior to—the question was, "Prior to McFarlane's trip, had there been—prior to the time his plane actually took off, had there been discussions on the subject of hostages?"

General Secord said in response to that, "Well, there was a lot of discussions. I told you that the hostages were discussed at the Frankfurt meeting. Hostages were discussed with Nir and with Ghorbanifar frequently, by North and by me. But as far as I know—and this will surprise some people, I guess—but as far as I know, there was no Iranian agreement to produce all the hostages at the time of the meeting in Teheran. I know that expectation arose somehow. I don't know how exactly that expectation got into McFarlane's head. You will have to ask him. I don't know."

So I am asking you.

Mr. McFarlane. That is what I was told.

Mr. McCollum. By Admiral Poindexter?

Mr. McFarlane. That's right.

Mr. McCollum. And that was not indeed the case when you got there, at least that is not the response that was there in Teheran from those with whom you were dealing; is that correct?

Mr. McFarlane. That is correct. It seemed to me, in the way in which the Iranians with whom I met—and the most senior one was, you might say, in the outer office of the speaker there—gave me the impression that while he was surprised at my expectation of a release of the hostages, that after a recess in which he apparently closeted with Ghorbanifar and one or two of the other subordinates, that he was also conscious that his own people had not filled him in completely on what they had committed to.

Whether they—whether he believed that they had welshed or not—I don't think I would go that far. But the fact is that that's the kind of thing that you should never go unless that is nailed down.

Mr. McCollum. The fact is that there wasn't that advance trip and the fact is there was a screw-up in that sense of communication; and General Secord, at least, was of the impression, as one of the parties sitting in on some of the Frankfurt meetings, that there was no understanding, at least at that meeting, reached for the exchange of the hostages.

So can you agree that this sounds to us, and perhaps to the public reasonably, that the whole thing was just basically screwed up, from a planning standpoint, before you ever went?

Mr. McFarlane. Well, I think that is fair, and it is frankly astonishing to me because I didn't view this as a lark by any means and I spent quite a long time going over the minimum conditions that would warrant sending a personal representative of the President to Iran and they included firm, credible guarantees on the pre-conditions, that is, setting behind us all of the arms traffic, and prisoner releases, and then agreement on the agenda—the four points that were acceptable to both sides, that the meetings would be with the Speaker, the Prime Minister and the President and so forth—and on each of these points we said, yes, all right, that is in place finally.

Now, I would have to say that I was told that inasmuch as we believed these things, the Iranians have welshed before. Well, I pondered that, drew them out—Admiral Poindexter and Colonel North—about what makes you sure this time that it is going to work?

But I think your point is quite right. Clearly those commitments were not——

Mr. McCOLLUM. General Secord even told us he was under the impression that once you got there, it turns out that they were not really even expecting you, that it was a surprise to some extent. There was a lot of scurrying around that went on over there.

That is the reason in his conclusion at least, in talking to us, at least his opinion, that you had such an awkward situation there for so many hours and there was a lack of communication right up front about your even coming in when you did.

Is that your impression?

Mr. MCFARLANE. Well, I think they were not expecting us at the hour or for some reason they had not gotten the motorcade and so forth formed up as you would kind of expect but they clearly did expect us.

They just weren't there on time and that is not uncommon with them.

Mr. McCOLLUM. Let me ask you——

Mr. MCFARLANE. Mr. McCollum, I am sorry, I meant to say earlier that I think the General is absolutely right. But it doesn't seem to me to be beyond the wit of man to expect that he might have said so.

As I went on the trip with the opportunity to talk to Colonel North and re-confirm these matters and to talk to Mr. Teicher, his understanding of events, and had re-confirmed for me, yes, it is going to go that way. Well, General Secord was there, and while I associated him at the time with the transport and carrying on arrangements, if he knew these things, it might have been nice to know of it.

Mr. McCOLLUM. But he didn't tell you?

Mr. MCFARLANE. No, sir.

Mr. McCOLLUM. Well, that brings me even more to the point of this question. I asked him another question—I didn't ask those others of him, but I asked this one of him and I would like to ask you, with all the resources—because this is fundamental about the policy and why we are where we are today in all this.

With all the resources of the CIA and the DIA and the State Department and the special operations forces of the military that we have in this country, why did you and Admiral Poindexter and Director Casey and Colonel North and whoever else was making these decisions, why did you choose to go outside these regular operational resources and try to handle the Iran dealings and the hostage rescue release efforts with really no use of these resources at all.

That is the way it appears to me.

Mr. MCFARLANE. Mr. McCollum, I do wish that we had some resources, but I think if you go today in every office, bureau and division of the CIA and the DIA and round up all the assets we have to learn of or do business in Iran, you could fit them in this room with a lot of space left over.

Mr. McCOLLUM. I think that is really the point I want to make, and I would like to ask a specific question on that.

Looking back at the Iranian initiative, how did the quality of our human intelligence and the specific lack of that intelligence affect the initiative, Mr. McFarlane?

Mr. McFARLANE. I think it is very, very harmful in removing from us the ability to validate what intelligence we were being given and to be confident of its accuracy. At the same time, the implication of that is until you can get it, you should do nothing.

Well, I don't think that is a responsible course, either. You do extend your risk substantially, however, if you proceed without certain confidence that what you are told is accurate.

Mr. McCOLLUM. Was it because of this lack of human intelligence, was that a major factor why you used the Ghorbanifar channel in business, the extraordinary thing that you did?

Mr. McFARLANE. Yes, it was.

Mr. McCOLLUM. The American people have asked many times, why did the President deal with these Iranians like this, and of course, part of the answer is you did want to open the channel, I understand you wanted to make the contact.

But they also ask, why didn't we just go in and rescue the hostages out of Lebanon? It seems to me you have answered that, too, apparently we didn't have the ability to do that. Was that the problem, this same situation, this lack of confidence in our resources, and our intelligence and so on, the reason we didn't go in and actually do that job?

Mr. McFARLANE. I think that is 90 percent of the reason. On the other side of things, the forces trained for that kind of operation are at hand, and I think Secretary Weinberger, the Chairman of the Joint Chiefs, could take a lot of credit for the preparation of appropriate forces.

But it is more than that. It is having people on the ground in advance who are collectors of intelligence that report back to you and can serve as the lead point on the ground advance for whatever raid you might care to run.

The fact is, today, you have to have intelligence first, and we don't have it.

Mr. McCOLLUM. Speaking of the Secretary, Secretary Weinberger and Secretary Shultz many times have reiterated in the hearings that they disagreed with the Iranian initiative. Did they offer any alternatives for reopening contacts with the Iranians or for rescuing or winning release of the hostages?

Mr. McFARLANE. No, sir.

Mr. McCOLLUM. General Secord testified that in his opinion, Director Casey was very frustrated with the system of the CIA itself and in many other ways with the system. Do you share that opinion?

Mr. McFARLANE. I don't think I am qualified to answer, Mr. McCollum. I expected and do expect Bill Casey, as a man who was devoted to promoting our national interest and more loyal to his President than anyone I have ever seen, a man of considerable intellect as well and canniness as it relates to intelligence operations.

I think he was conscious, though, that it wasn't entirely the agency's fault that it was completely lacking in the resources to fulfill this mission. He was very conscious of what happened 10 years ago, and abuses within the CIA and excesses by the Congress which led to this depletion of our intelligence capability, but it was real.

Mr. McCOLLUM. What happened 10 years ago?

Mr. MCFARLANE. I think when the abuses that had occurred in the CIA were identified and exposed, that the Congress and the Church and Pike Committees and the Rockefeller Commission combined to make the point that covert operations, human intelligence were risky, that you could end up before the Congress being interrogated for what you have done, and for career people in intelligence, who must always be suspicious of political figures who come in and out of administrations, people who by and large they assert don't have the career bureaucracy's interest at heart, that the safest course is to do nothing.

Now, that doesn't apply to everyone. There are clearly very, very talented and operationally oriented people. But they are a small group.

Mr. McCOLLUM. You were frustrated yourself, were you not, by a lot of this?

Mr. MCFARLANE. Yes, sir.

Mr. McCOLLUM. Would you not say that Colonel North was frustrated?

Mr. MCFARLANE. Yes, sir.

Mr. McCOLLUM. And would you not say that Admiral Poindexter also was frustrated?

Mr. MCFARLANE. Yes, sir, outstanding men, both of them.

Mr. McCOLLUM. I have one last comment. I have respected the responses you have given, and your analysis of the situation. I think you have a deep understanding of history and of the problems that we face in the broad perspective, and that is what this committee is about in the long run, not just to look at facts.

But you used a term yesterday that bothers me. You said in answer to some questions that you were intending to be supplicant, and I respect that to an extent and I understand why you might have used that term here based on all that has happened.

But looking back on the last 2 or 3 days' worth of testimony, I am disturbed by the fact that at least of giving some advice, perhaps, to the President and in viewing some of the matters that you had, that you were, indeed, allowing the administration and the President to be too supplicant to Congress.

It seems to me in the question of fundraising that it has been pointed out in the last 3 days, at least for the President—maybe NSC is questionable as to whether you are covered by the Boland amendment—but with regard to the President technically, legally there was nothing wrong with their fund raising.

Going out—if the President had wanted to go out and appeal to the American public, "Give money to the Contras," I suppose there were political considerations weighed as to why that was chosen not to be done, but legal advice apparently was not sought.

And in the last analysis what he failed to have was some confrontation with Congress over the issue, and it seems to me it is that lack of confrontation, that lack of bringing this issue to a head in a public forum that may have led in the long run to a lot of the problems we have today with a President who is looked upon as having to check his diary to see what he said about something, because perhaps he was worried and is still worried, and they are down there about, "Gee, every step we take we have to look over our shoulder like you were talking about those CIA folks."

Everybody is looking over their shoulder. And, in fact, he didn't need to look over his shoulder about all these things. He still doesn't need to look over his shoulder about all of them. And that bothers me, and I think your use of the word "supplicant" somewhat applies to that.

I appreciate very much your testimony and thank you for your time with us. You have put in great service and longevity to our country and continue to do so today.

Chairman HAMILTON. Senator Heflin.

Mr. HEFLIN. Mr. McFarlane, let me ask you about some things you have mentioned. Perhaps it is necessary to go into a little more detail.

You testified about the shipment of arms to the Contras that was seized by military officials in the Central American country, and then indicated that a number of government officials were involved and that that was a contact made by the President to the head of state of that Central American country to get that shipment of arms released.

Do you know what the shipment of arms contained?

Mr. MCFARLANE. No, sir.

Mr. HEFLIN. The timing relative to this, as I understand it, is probably around March or February of 1985—is that approximately right, or in that period, that you think that this occurred?

Mr. MCFARLANE. Senator Heflin, I may have confused in my mind that event with, I think, a separate event, wherein the—a Central American country had become very, very unwilling to serve as a transit point for weapons going to the Contras because they thought it might engender Nicaraguan attack of them and they wouldn't have any action from the United States, and, therefore, until they could get some kind of high level assurance that the United States was going to stand by its obligations to them, they weren't going to let it happen.

And I do remember that after soliciting the advice and concurrence of the Secretary of State, the Chairman of the Joint Chiefs, the Secretary of Defense, and the DCI, the President did, I thought, send a message, but it may have been a phone call.

Staff can confirm or deny.

Mr. HEFLIN. As I understand it, there was some action by the President with the head of that country——

Mr. MCFARLANE. Yes, sir.

Mr. HEFLIN. To obtain the release of that seized shipment of arms?

Mr. MCFARLANE. Yes, sir.

Mr. HEFLIN. Let me ask you a little bit about this matter pertaining to Country Two.

There have been some news reports today about unnamed Saudi sources that have indicated that you did some solicitation of the contributions that were made by Country Two, some in 1984 and some then in 1985, as I recall the newspaper account that I have seen to date.

Now, if it was before the Boland amendment which was adopted on October the 12th, 1985—1984, I believe—1984 is when the Boland, which is the one in the center there—that may be—prior to that time was there any prohibition relative to any language that could be construed that would prohibit any seeking of private sources including foreign countries at that time?

Mr. McFARLANE. No, sir, there was no prohibition.

Mr. HEFLIN. After the Boland II, which is the one in green up above, was adopted, then comes up the question as to how do you interpret that relative to it?

Do you want to make a statement pertaining to this press report, give an answer on that? I think in fairness you ought to be allowed to be asked about that.

Mr. McFARLANE. Well, Senator Heflin, as I said earlier, I think it is sad that this government is in the position that it has to change publicly its earlier position.

It shouldn't be exposed to this kind of public exposure to criticism and comment. I think our government—I bear responsibility for it—the fact is that we have testified here—and every word I stand by. As you say, had I done it, had I solicited before October 1984, it wouldn't have been against the law. I also pointed out that if staff here is to examine the newspaper account and match it against my own record of my schedule, which is pretty thorough as to where I was every moment of the day, it is difficult to square that with the account that is the new position taken by that government. But I frankly identify and sympathize with them, because they are now embarrassed and it was our fault—my fault.

Mr. HEFLIN. Let me look at the Boland amendment, which is in the center in green there. Really, I think the applicable part is the first paragraph. The rest of it below there refers to the fact that if a President submits to Congress a report and then that a joint resolution is adopted, so really, the part that is in point here is the first paragraph.

And you testified about the National Security Council, but I want to look at it and try to put in perspective how the Boland amendment affects the activities of the President and Vice President. Now, I think before the President can be accused of any illegal act in these two instances that I have mentioned—one, the Country Two and the other relative to the Central American country, and the seizure of arms and the release of those arms—that there are a number of questions that must be addressed besides constitutional issues.

Among those, of course is, one, did his acts constitute illegal acts under the Boland amendment?

And second, did the Boland amendment prohibit his acts?

And I think maybe it is wise to pursue the second question first, and assume for the sake of argument that the President did solicit Country Two's leader, and did contact the President about releasing the shipment of arms. Now, the Boland amendment is contained primarily in the Defense Authorization Act, which appears there, adopted October the 12th 1984, and is really applicable for a period of time—at least a year or close to a year following that.

But also at the same time, there are two other Acts that were passed at about the same time, a Supplemental Appropriations Act and then about a month later, an Intelligence Authorization Act. Now, those Acts contain some different language, and they are not exactly the same, and I think proper interpretations will have to be determined. But assuming for the sake of argument that there are no real conflicts between these various enactments and the intent of Congress is unambiguous, then we look at the Boland amendment, and in looking at the Boland amendment, we see of course, the prohibition that is there, and it says no funds available.

I think you have to look to see whether or not that is a comprehensive prohibition or is it a limited prohibition. And I think the answer, of course, is that you have to say that it is a limited prohibition, because it names the Central Intelligence Agency, the Department of Defense, and any other agency or entity. U.S. intelligence activities.

If, for example, AID, the Agency for International Development, or the Drug Enforcement Agency, if they were not involved in intelligence activities, that would not be a prohibition against their expenditure of funds.

Now, the language of this is very broad. It, in my judgment, by the word indirect there, it includes humanitarian aid that might have been given. So we again, come down to the question, does it control the activity of the President and the Vice President? You look at that language and it does not contain any specific prohibition against the President or the Vice President by name. I think before the action of the President can be viewed as illegal, we have to answer the following question, among others:

Mr. Heflin. Did the President obligate or expend funds available to an agency or entity involved in an intelligence activity in getting the Head of State of Country Two to contribute funds for the purpose of supporting military operations in Nicaragua? As to the action of the President in releasing the seized shipment of arms, a simple question, I think, has to be addressed: Did the President obligate or expend funds available to an agency or entity involved in intelligence activities in getting the president of a Central American country to release a shipment of seized arms in that country that were used for the purpose of supporting military or paramilitary operations in Nicaragua?

Now, I think that this is going to call for a very careful research into these matters to see whether or not that language does prohibit the President or not.

It also involves the question of facts, and the facts as we have heard, and perhaps other facts relative to these matters.

I think in proper perspective it is wise not to jump to conclusions but to review all of the facts and review the language and review the law pertaining to statutory construction before we come to any such conclusion.

Now, let me ask you one other question. In your conversations with General Secord, did he ever indicate to you whether or not he was an agent of CIA or whether he was, in effect, an independent contractor?

Mr. McFarlane. He did not describe the relationships.

Mr. Heflin. That is all.

Chairman Hamilton. The Chair recognizes Mr. Stokes.

Mr. Stokes. Thank you, Mr. Chairman.

Mr. McFarlane, one of the most troublesome aspects of this whole tragedy, to me, is the Drug Enforcement Agency ransom operation. As you and I both know, the United States has not paid ransom for captured American citizens since the day of the Barbary Pirates, so it seems to me that this was a momentous decision. It was one where the President of the United States was entitled to the best advice possible, including opposing view, and the NSC was there for that purpose.

Could you tell us why the NSC was not used for that purpose, considering the momentous decision the President had to make?

Mr. McFarlane. Well, I think you make a very good point, Mr. Stokes. I am trying to recall myself how the decision was taken. It was a matter that I discussed with the President in the presence of the Vice President, probably Mr. Regan, and I provided to them the fact that the Attorney General was supportive of it and had taken the steps to make liaison between the DEA people and the people in the field—I am trying to think the extent of involvement of the Secretary of State. I will have to think about it.

I believe you are right, however, that a fuller discussion of it would have been in order. It is lamentable to say—and this is not to defend it—but that virtually every single position that I think we have taken, at least when I served in Government, was in the public domain within 24 hours, and that cannot lead us into becoming just isolated independent actors.

Mr. Stokes. Earlier on in your testimony, you told us that you were aware of only one finding with language similar to the January 17, 1986, Iran finding, that is, of language directing that Congress not be told until the President so directed.

To your knowledge, has Congress now been told about that particular matter?

Mr. McFarlane. I don't know, sir.

Mr. Stokes. Your answer is that you do not know?

Mr. McFarlane. No, sir.

I am trying to remember whether before I left the Government it was—but I might not have been aware that it was. I'm sorry, I don't know.

Mr. Stokes. OK. Let me move to another point with you.

There was a great deal of discussion yesterday about Congress having changed its mind several times, having been sending one message at one time and a different message at another time, and there was considerable discussion around the fact that a commitment had been made by the United States to the Contras and that Congress had gone back on that commitment.

I just want to go over the record with you for just a moment as to what the real facts are, and I am really going over the records of the Intelligence Committee of the House when I make reference to the things I want to talk to you about.

We have exhaustive detail regarding the matters that I want to talk to you about, and I think they reflect that the commitment that the United States made to the Contras was not the same one that was described to the Congress.

For instance, would you agree with me that the Contras were told by the United States that they would help them march to Managua and yet the Congress was told that the Contras were to interdict arms from Nicaragua to El Salvador? Would you agree to that?

Mr. McFARLANE. Yes, sir.

Mr. STOKES. Also, the United States was encouraging the Contras to swell their numbers, while the Congress was being told that five- to ten-man teams would conduct interdiction raids on the arms infiltration infrastructure; is that correct?

Mr. McFARLANE. I don't know. I have never heard that, but I can imagine it.

Mr. STOKES. OK. I think it also would be accurate for me to say as you did the other day that Boland One did rescue the contra program for a time, but only because Congress was proceeding on an entirely misleading justification from the administration.

You have said also that the mining of Nicaraguan harbors was another example of misleading Congress, isn't that true?

Mr. McFARLANE. Yes, sir.

Mr. STOKES. In fact, the House Intelligence Committee learned of the mining three weeks after it had been done, but it only knew because it asked the right questions and only after seven months of asking the same questions and getting no for an answer.

As you and I both know, those mines weren't procured and tested and put into operation overnight. So Congress was deliberately misled on certain aspects of this whole Nicaraguan program.

So I would just have to say, Mr. McFarlane, that the distrust that marked Executive/Congressional relations on Nicaragua has to be factored into this whole equation. It helped create changes in restrictions and may have led Executive Branch officials like Colonel North to conceal their contra activities as much because they knew that whatever the law said, exposure of those activities would cause another political fire storm, would you agree with that?

Mr. McFARLANE. I do agree with what you say, Mr. Stokes. I don't challenge this a bit.

I guess and I know that this is your motive, that the point is having said these things is the end result, the score becomes Congress, one, Executive, zero. How do we make things better?

I think the executive branch could rebut this and put up a few points in their favor that as the vote was nearing there would always be people that would sponsor a compromise that says Boland One allows you to keep going.

Where a truthful person would have said we are authorizing dissembling here if not disingenuousness because for people in the administration to go ahead and conduct support for the Contras whose purpose was declared to be to push over the government, you portray it as something else because the Congress, not only the Executive, before those votes was saying yes, our legislative intent is to authorize you to keep doing what you have been doing—that is not so.

And I think if I had been in the Congress and were watching what was happening, whether with the mining or other things, that you didn't know about, as a Congressman I would have reached out with the only instrument I had, which is law and enacted Boland Two, because that is all you could do.

But this cycle of deception fed itself, I think, and until both of us in the Executive and the Congress can come down to say, listen, if we have got a national security issue, let's have a discussion of it, a public referendum if we have to, and maybe the administration will win and maybe it won't, but the good news of that is if and when it does win and on some things it will, whatever country we are involved with, know we have got the whole country behind us and it is going to be a saleable policy.

I think that is the way it was in Geneva in October of 1985.

Mr. **Stokes**. Let me ask you this. You have testified that in August of 1985 the President had approved the sale of weapons by Israel to Iran. Did the President specifically approve the November 1985 shipment of Hawk missiles by Israel to Iran or was it a case of your simply informing him that the Israelis intended to ship the missiles?

Mr. **McFarlane**. The latter, sir.

Mr. **Stokes**. The latter?

Mr. **McFarlane**. Yes, sir.

Mr. **Stokes**. What if anything——

Mr. **McFarlane**. The former, too, that is the September shipment, too. That has been an area that has been kind of murked up because the President provided the authority in early August for Israel to undertake, to sell arms to Iran, and to then come to the United States for replenishment, to buy new ones.

That didn't require then the Israelis to come back to us on each occasion and get new approval. It also had limitations on it, so that it just wasn't open-ended, but—well, that is the way it was.

Mr. **Stokes**. Did the President also know that the CIA would play a role in the shipment?

Mr. **McFarlane**. No, sir, nor did I at the time.

Mr. **Stokes**. I see. Now, you have testified earlier here about a discussion you once had with Attorney General Meese concerning oral findings. You said that General Meese referred in this conversation to an opinion of his predecessor, Mr. Smith, on this subject.

What did you understand would constitute an oral finding by the President?

Mr. **McFarlane**. Well, I think that I may have interpreted wrongly what the Attorney General intended, but as I testified before what happened in the exchange was that after we had finished the interview on Friday, the 21st of November in 1986, and were interrupted by the Secretary, and he and his assistant Mr. Cooper prepared to leave the room, and I asked them to stay and I went through an exchange with them that is on the record about the fact that the President had indeed been for this from the very beginning—this being the sale by Israel of arms to Iran—and he said, "Well, Bud, I am glad you told me that. As a practical matter, the earlier the President makes that decision, the better he is in legal terms."

Then he went on to say that "a determination made by my predecessor has made clear that the President's decision, even though not written, is no less official," and I interpreted—perhaps wrongly—that he was saying that that Presidential determination to approve those sales applies as a decision in the finding sense, but that is my word, not his.

Mr. STOKES. I see. Was that your understanding that with reference to the November 1985 Hawk shipment that the President had in fact made an oral finding?

Mr. MCFARLANE. I believe that the President's August decision legitimized sales which would occur that fell within the criteria he had established, yes, sir.

Mr. STOKES. Now, you have also told us Secretary Weinberger focused particularly on legal questions in opposing arms sales to Iran. Do you recall to what statutes he may have referred? For instance—I am not trying to sandbag you in any way.

Did he refer to the Arms Export Control Act?

Mr. MCFARLANE. Yes, sir.

Mr. STOKES. Did he make reference to the fact that you must notify Congress prior to the sale of arms worth more than $14 million? Did he refer to that?

Mr. MCFARLANE. I don't recall it. I do recall that he made a reference, I think, to the fact that even though a foreign country selling the arms that—well, I think he said there are legal restrictions on what must be done if a foreign country does it. That came up when people began to focus on the fact that what was being considered was a foreign act, not an American act, and he pointed out, nevertheless, there are legal restrictions.

Mr. STOKES. And did he at that time make any reference to the fact that if you are selling arms in excess of $14 million, you must notify Congress?

Mr. MCFARLANE. I don't recall that specifically. He may have.

Mr. STOKES. Mr. McFarlane, at any time in any discussions within the administration of which you were a part, or of which you are aware after enactment of Boland II, was it at any time suggested that South Africa be asked to provide assistance to the Contras?

Mr. MCFARLANE. Not to my knowledge, sir.

Mr. STOKES. Not to your knowledge?

Mr. MCFARLANE. No, sir.

Mr. STOKES. OK. Thank you very much.

Thank you, Mr. Chairman.

Chairman INOUYE. Senator Trible.

Mr. TRIBLE. Thank you, Mr. Chairman.

Mr. McFarlane, let me ask you one follow-up to the testimony yesterday and then I will move into another area.

Yesterday you had a colloquy with Senator Rudman about the DEA operation to rescue the hostages, and you said, as I recall, in response to Senator Rudman's question, that you did not believe that a finding was required, because the CIA was not involved in that operation.

Is that correct?

Mr. MCFARLANE. Yes, sir.

Mr. TRIBLE. The DEA has told our staff that, in fact, the CIA was involved and had spent some $50,000 to provide financial assistance to the operation. Were you aware of that fact?

Mr. MCFARLANE. I wasn't, no, sir.

Mr. TRIBLE. And if you were, that would have changed the substance of your answer?

Mr. MCFARLANE. Yes, sir, I think it would.

Mr. TRIBLE. Let me move beyond that, if I may.

First of all, I want to thank you and your family for your long years of dedicated public service. And I know the last several days have been difficult for you, and I want you to know that these days are difficult for all of us.

This is not a happy assignment, but it is an important one, I think, for our country. Congressional oversight, hard questions, candid responses, are essential to guarding against the arrogance and overreach of power in a free society, and that is what we are about. That is why we are here.

Now, I don't want to pursue the factual legal issues that my colleagues in the main have followed, but rather I would like to take the time that we have to talk about the broader policy institutional considerations that are a part of this.

The theme of this is through your testimony and the testimony of others to find ways in which we can make the decision making institutions involved in fashioning foreign policy work more productively together to avoid the kinds of problems that we have experienced of late.

So, there are five areas which I would like to pursue briefly this morning.

First, the role of the National Security Adviser. As we know, the role of the National Security Adviser has changed from one administration to another, from one president to another, reflecting, I guess, in large measure the interests, the expertise, the management style of our presidents.

Kissinger and Brzezinski, for example, were vastly different in their approach to the job than, let's say, an Allen or a Scowcroft.

My question is this. What was your role as National Security Adviser to this President as you saw it? Were you the clearinghouse; were you the active Adviser in putting policy recommendations?

Mr. MCFARLANE. I believe I saw the job, when I came to it, as a manager, a coordinator. That was the largest mission that I had.

Mr. TRIBLE. To see that the President received coherent advice from his principal advisers?

Mr. MCFARLANE. That is correct, sir.

Mr. TRIBLE. In regards to the shaping of the decision to sell arms to Iran, my understanding is that the President did receive inputs from the Secretary of State, Secretary of Defense, and others who argued against that policy.

Mr. MCFARLANE. Yes, sir.

Mr. TRIBLE. So, I see through your testimony a portrayal of a testimony that is not disengaged, as suggested by the Tower Report, but a President who had the information before him with—who understood the risk, but who pursued a policy because he wanted to bring the hostages home; is that a fair statement?

Mr. MCFARLANE. Yes, sir.

Mr. TRIBLE. Well, I make that point only because I think it doesn't necessarily make unwise policy sound, but at least for me I am somewhat reassured to know that the President is strong and decisive and that he had the strength to make a decision that carried risk, a decision that perhaps would be unpopular, a decision that, of course, proved to be very unpopular in pursuing what he felt was right for the country.

Mr. McFARLANE. Senator Trible, if I could add a footnote to that, perhaps gratuitous, but there have been comments from your colleagues here that if these things work they are praised, and if they don't they are criticized.

For example, reference is made to the Grenada operation in recent years, and it worked, generally. There was very close—well, I should say complete consultation with the leadership of the Congress before that and with his cabinet, and there was general disagreement and objection to it being conducted.

But he did it. That is what he is paid for. And it worked. And he has done this, and it didn't.

But I take your point. He is a decisive man and does what he believes is right.

Mr. TRIBLE. So in summary then, in terms of your view of the role of the National Security Adviser in this administration, yours was to act as a clearinghouse, if you will, to pull together the information and the best advice of the principals in the administration and to make that available to the President in fashioning of foreign policy decisions?

Mr. McFARLANE. Yes, sir.

Mr. TRIBLE. Secondly, let me ask you to focus on the role of the National Security Council and the State Department.

Obviously, there are tensions, institutional tensions between the two. What, in your judgment, is the proper relationship between the National Security Adviser and the Secretary of State? How much dialogue, how much sharing? Should they act as one? How do they go about advising the President in reaching important decisions?

Mr. McFARLANE. The National Security Adviser ought to acknowledge that the Secretary of State is the President's advocate, Adviser, proponent, public spokesman or steward of foreign policy. He is the dominant figure in foreign affairs and that the National Security Adviser's job is to facilitate its functioning in that that role by taking the Secretary of State's views and integrate them with the advice of other Cabinet officers, providing them to the President, and in any way he can to support the Secretary of State and the President.

Ultimately, the National Security Adviser works for the President, but his working hours are largely spent constantly in dialogue with the Secretary of State, and as invisibly as possible.

Mr. TRIBLE. Now, here there seems to be a sense that the Secretary of State may have been cut out of the action. At least we have learned through your testimony and through other evidence that there were times when the Secretary of State was not fully informed about the activities in Central America, or in the Middle East, as they relate to the substance of these hearings.

Is that wise? Is that the way the system ought to work?

Mr. McFARLANE. No, it isn't. We could disagree over the extent to which he was sufficiently advised, but he should be well advised all the time. You can try to build in checks and balances to make sure that that happens in a lot of ways. For example, I thought it wise to have on the NSC staff people who were predominantly career people and I took a lot of flack about that, but about a third of my staff was career military, and another third was career from CIA or the State Department, and another third probably from the outside, who were the President's choices and properly so.

Mr. TRIBLE. So there ought to be full consultation then?

Mr. MCFARLANE. That is right.

Mr. TRIBLE. With the principal foreign policy adviser?

Mr. MCFARLANE. Yes sir.

Mr. TRIBLE. Let me move to the third area very quickly and that is really the essence of these hearings, the relationship between the White House—the National Security Council in your case—and the Congress. Now, I will tell you I don't always agree with what the Congress does, but I respect the actions of this Congress as the expression of the will of the American people, and it is my view that the White House and the President must honor that expression as well.

There seems to be etched in all that I know about these transactions an attitude reflected that the White House only knew best, and that the Congress and the American people really could not be trusted with the shaping of foreign policy.

Now, I share that view, because I think it is reflected in much that we have learned thus far and it obviously will shape the deliberations of this Congress in the days ahead. So what I am going to ask you to do is respond to some of the initiatives that we might anticipate.

I think Representative Broomfield touched on the question of oversight. As I recall, you said that you can go too far, that this President, any President, reacting to every changing of events in a difficult world has to have a measure of flexibility, and I agree. But I would like to invite your response to a number of specific items under the heading of overview.

There are those that suggest that Congress, the Senate, somehow confirm the National Security Adviser. What are your thoughts about that, please?

Mr. MCFARLANE. It is a close call, but I come down saying that they should not do that, more as a matter of precedent—that is, for it being a short step away to conform his chief of staff and others in the White House. There is no question but that the National Security Adviser should be responsive to congressional inquiry. But I believe that he should be, the President should be entitled to count upon some confidences from his closest advisers.

Mr. TRIBLE. So from our experience, and insight, you would argue against that?

Mr. MCFARLANE. Yes, I would.

Mr. TRIBLE. It surely would enhance the competition, I would think, between the National Security Adviser and the Secretary of State?

Mr. MCFARLANE. I think that is true, yes sir.

Mr. TRIBLE. And that is not something we want to do for sure.

Let me move to the second area. What about placing a statutory limit for Congress to be notified of covert activities? As you now know, I think, the standard is "reasonable time." There seems to be some dispute over what is reasonable, the White House taking the more liberal view than that of the Congress, oddly enough, on the interpretation of that statutory provision. What about a specific statutory mandate of time?

Mr. **McFarlane**. That seems to me to be a good idea in principle, but very difficult in practice, to decide what is the right time.

I think that it—another approach that I believe that you have also promoted—is to insist that—I think currently be observed, which is that all—there is no covert action that does not immediately require notification of at least the five or four, as someone said perhaps, and I think that that is feasible and something that is tolerable from the executive branch point of view.

Mr. **Trible**. Now, another issue in the oversight category is the obvious need to make policy in confidence from time to time; there must be ways in which that can be done and yet policy not be made in a vacuum.

I think many of the problems we have encountered here may well be attributed to that, that there wasn't sufficient input from some of the wise heads within the administration, and from the Congress, as well.

To that end, one factor often suggested as a reason for the push toward secrecy is the concern about leaks—leaks both within the administration and also within the Congress.

Now, we have reduced the number of contacts in the Congress over recent years, but it seems to me the experience of this committee, the bipartisan approach taken thus far, the unprecedented cooperation between House and Senate, argues rather persuasively for our considering the establishment of one oversight committee composed of the best of the House and Senate, and in that fashion perhaps eliminate opportunities for violating important confidences; and, secondly, enhancing the likelihood that this administration—more importantly, future administrations—will be forthcoming.

Would the establishment of one oversight committee, in your judgment, be a step in the right direction?

Mr. **McFarlane**. Yes, sir, I think that would be a very sensible decision.

Mr. **Trible**. Now, another area touched on by the committee was the NSC involvement in operations, and I think you responded to a question about that. But a real problem here, it seems to me, is that the NSC, the National Security Council—envisioned historically to be not the implementer of public policy but as a clearinghouse, as an originator of ideas, as an adviser—took on an alien role here and it was mismanaged and it got out of control.

What is your thought about the role of the National Security Council in the future? Should it be restricted so that the NSC would not be involved in covert operations?

Mr. **McFarlane**. It seems to me that idea ought to be explored of shaping terms of reference or limits to the authority of people that serve on the National Security Council staff. But I do not think they should extend to an absolute prohibition on the President's being able to use his National Security Adviser in rare and unusual circumstances that he thought justified, and I truly think that they would be very, very rare if the prior condition, reliance upon his Secretary of State as the leading figure, is respected.

But I think it would be a bad idea. There are times when, because of the foreign states involved and their sensitivity to their own internal problems represented by exposure and risk of a policy they want to change, they need to know is it even worth talking to us about, and they want to know it from somebody, the President, who is the decision-maker.

Mr. TRIBLE. A classic example of that, I guess, would be the Kissinger mission to China, for example?

Mr. MCFARLANE. It is a good example, I think. There have been dozens of times, as well, that—my own choice when an issue like this came up was always to say let's let the State Department do it.

But I recall an occasion three or four years ago where we had an opportunity with a new Soviet leader and I thought we could get off on the right foot by sending a very clear signal of the President's wishes—actually it was his idea, not mine—and we asked the State Department to do it and it got hopelessly fouled up and didn't work.

That isn't to say that will always get fouled up. The State Department does a terrific job usually. But you never should foreclose being able to use who the President wants.

Mr. TRIBLE. So as a normal course of events or affairs, the NSC, in your judgment, ought not to be in an operational mode, but there are times and places where it is important the President can turn to his National Security Adviser to undertake these kinds of roles?

Mr. MCFARLANE. Yes, sir, there are. And even then the President will, I'm sure, do it with the Secretary of State completely involved.

Mr. TRIBLE. Let me move to a fifth and final area, Mr. Chairman, and that is the role of Congress and the President in the shaping of foreign policy.

I think there is a truism that we have heard echoed through these hearings, and you mentioned this, as well, that you cannot manage a public policy that does not have the support of Congress and the American people. You certainly can't sustain it, and you cannot succeed.

My question is this. It defies an easy answer, but I would welcome, as would my colleagues, your response. It is clearly true that we need to restore a measure of good will and trust and bipartisan spirit in the relationship between the Congress and the administration, any administration.

Let me speak in broader terms, between the Congress and a President. How do we go about doing that? Are there some steps that you can envision from your experience that would help us bridge this gap and begin to speak more clearly with one voice rather than hundreds?

Mr. MCFARLANE. Yes, I believe that there are things that can be done. You have made reference to the need for the President to explain to the people his goals and his policies for achieving them. Unfortunately, if he is explaining to people, Americans who don't have a very developed understanding of the problem at hand, whether it is Soviet, Chinese or economic, then their ability to understand and endorse a particular course of action will be limited—that is a lot of hot air but what I am trying to say is that Americans haven't taken a lot of interest in foreign affairs because we don't teach it in our schools.

We have been blessed to get by with ocean boundaries for most of our history but not only because of the nuclear age, but economic interests, overseas markets, reliance on overseas resources, we are perforce a global power with global interests requiring that our body politic choose people that will conduct themselves successfully.

Successfully means you must cope with rules of the game internationally which are quite different from American rules of fair play and decency, and that isn't to endorse them, we should not sink to those levels but neither should we be so placid and puritanical to presume that posturing will achieve our purposes.

Now, all that is to say that we have to work as a long-term proposition on putting foreign history, comparative politics, ideology, things like that in our school system, but that will take generations.

I think as well that there is room and a lot of benefit in restoring authority to the political parties. I think people far more knowledgeable than I can deal with that. It seems to me also that the leadership of the Congress needs to have its authority restored, obvious means of doing that would include giving it the hand on the purse strings again but other far more learned ideas than I could develop.

But I am optimistic and I say that and I guess it sounds silly because of this exercise, because I believe that after all the "who struck John" gets by us, that there are enough people that are terribly patriotic, Senators and Congressmen, who are going to say two years from now as people look back on this, as something that made a lot of T.V. coverage for making speeches but nothing changed, we will have failed. This is an opportunity.

I think the five areas that you talk about are the beginning of a lot of wisdom.

Mr. TRIBLE. Mr. McFarlane, I absolutely agree. I think it is essential we pursue the truth wherever it leads us and find out what happened. That is essential and it is necessary to put all this behind us, but I think over the long term perhaps these hearings can lay the basis for a different kind of approach to the forming and shaping of foreign policy and, if so, then America will be stronger.

We have got to find a way to reconcile the obvious need to have a strong and decisive President, the need to respond to the harsh realities of a world that doesn't share our values or vision, with the need to operate within the constraints of the law and the Constitution of the land and to be open and honest and to consult.

That is not easy, but it has to be done. I thank you very much. Thank you, Mr. Chairman.

Chairman HAMILTON. We have four remaining Members to question. I want to complete certainly this morning our witness, Mr. McFarlane, but we will hold to the recess. We will have a 5-minute recess and return for the four Members. We will begin with Mr. DeWine.

[Recess.]

Chairman HAMILTON. The select committees will resume sitting, and the Chair recognizes Mr. DeWine.

Mr. DEWINE. Thank you very much, Mr. Chairman.

Mr. McFarlane, first let me thank you for your 4 days of patience and testimony. I think one of your major contributions in response to Senator Trible's question, and also in your opening statement, was your comment about the need to restore bipartisan foreign policy in the United States.

I suspect that the reason we are here today, and that a lot of the problems connected with this whole Iran-Contra situation could be laid at the feet of the fact we do not have really a bipartisan foreign policy today, and if my reading of history is correct, I don't think we have had one since the Vietnam War era.

You alluded in your opening statement on the first day to the successful bipartisan foreign policy that we had achieved after World War II with President Truman, a Democrat, in the White House, the Marshall Plan, the Truman Doctrine, with the support of Republican Senators and Representatives, and then into the fifties with Eisenhower in the White House and the support of Majority Leader Johnson and Sam Rayburn, and even into the sixties under President Kennedy.

If I had one wish, it would be that we could begin the dialogue with these hearings to try to restore that bipartisan foreign policy. So, I appreciate your contribution to that, and I think you are in a unique position to help us with that. Let me move to a few questions.

When you get to the next to last person, there isn't a lot to ask. Mr. McFarlane, you have been castigated for not being crystal clear or totally forthcoming every time you reported to Congress, either in a letter or in your testimony.

Wouldn't you say, though, that that is really—or at least it should be a two-way street, that Congress has an obligation to send precise and clear signals about what the policy is?

Mr. MCFARLANE. Yes, sir, I do.

Mr. DEWINE. You know, we have been sitting here for 4 days, and all last week, and we can't agree on what the Boland amendment is, and we are the ones that supposedly wrote it. There is a great dispute going on about what it means, does it or doesn't it apply to the NSC.

It seems to me that we have some burden and some responsibility to be clear about what we are telling you today, and what we are saying the law is, and the law isn't, would you agree with that?

Mr. MCFARLANE. Yes, sir, I do.

Mr. DEWINE. Having said that, let me just use a little of the prerogative we have as Congressmen using our 20-20 hindsight. We weren't there, not in the trenches, not making the decisions daily which, unfortunately, many times affect people's lives, and really life and death decisions, so I hope you will take my question in that context, that I realize we have wonderful hindsight and 20-20 vision today.

Looking back, would you say that it would have been better when you were in the position of National Security Adviser if you, when you faced these questions, when some of the red lights went off, when you saw North doing some of these things, when you saw the Boland amendment and you saw different interpretations of it, and you saw three different versions of the Boland amendment, when you saw Congress giving aid or not giving aid, would it have not been better to call in legal counsel and say, look, give us a legal opinion exactly what can we do in this area, exactly what should we do, and then once you got that opinion, maybe gone out and sat down with your staff and said, this is what we can do, and what we can't do.

Again, it is hindsight, but one of the recommendations of the Tower Commission was that they upgrade the National Security Adviser legal staff and legal adviser. Would you agree with that recommendation?

Mr. McFarlane. I do, Mr. DeWine. I think you point out one of a dozen places where I went wrong. I guess I do feel, though, that there is even a better testimony to my error in the fact that, as I guess I said in the opening statement, I felt that this was a very important issue—that is, showing the Russians that we can deal with this phenomenon—but we didn't choose the right instrument to do it.

Succinctly put, where I went wrong was not having the guts to stand up and tell the President that. To tell you the truth, probably the reason I didn't is because if I had done that, Bill Casey, Jean Kirkpatrick and Cap Weinberger would have said I was some kind of a commie.

My solution should have been that we are going to make clear that we are prepared to keep Soviet support for a totalitarian regime in this hemisphere out.

It has been ironic under this administration, where the President is a man of courage, decisiveness and action, that when you try to get the Defense Department to do something, they give a lot of reasons why they can't do it. A lot were good reasons, some weren't, but it was my mistake, really.

Mr. DeWine. In your opening statement—I was reading it as you were reading it, and you improvised or added something to that, and I would like you to expand on that for me, if you could.

On page 8 of the transcript, you said, "We had to win this one." I don't think that was in your initial statement, but you added that, I think, as you were giving your oral testimony to give it, I guess, special emphasis, "We had to win this one."

You have also said, and you just now told us, that maybe one of the problems was going covert instead of overt. I think you have alluded to the fact that maybe the President should have gone more directly to the American people on this issue.

You have had a tremendous amount of experience. You feel very strongly about this issue, and as I look at your opening statement, that is very clear.

I would like for you, in the next minute or two or three, to tell us what you think the President of the United States should have said to the American people about the importance of Nicaragua, about the importance of the region, about the—to use your words—why we had to win this one. Why? Why is it important? What do I tell my constituents back home, or if you were me, what would you tell them, or if you were the President, what would you say?

Why is this small region of the world so important, that many people never heard of before we got into this big debate the last few years?

Mr. McFarlane. Well, sir, I do tend to cast the issue of Nicaragua's government as an East-West issue—that is, that the danger is not Nicaraguan soldiers' taking on the United States, it is that country serving as a platform from which the Soviet Union or other surrogates like Cuba can subvert neighboring regimes and ultimately require the United States to defend itself against a Soviet threat, whether by spending more dollars on defense that we didn't need to, to worry about our southern border, whether we need to worry more about the Panama Canal now that Russians are here, whether we need to be concerned about the half of our oil imports that come from refineries in the Caribbean within MiG range of Nicaragua, and we have not had to think about these things for a long time, and haven't needed to defend against those problems or spend the money or have the divisions, aircraft, ships to cope with the problem to our south as we have in Europe to our east.

When you say go to the people, I don't mean it in circumvention of the Congress, it is because it is the President's responsibility to establish the foundation of what he believes threatens our national interest, and today, the foremost threat is the military power of the Soviet Union, not its economic ineptitude or the other failings of its system; its power, raw military power.

In explaining to Americans how that has evolved since the time of World War II and about a generation after it, when we could be relatively secure in knowing that our nuclear superiority would deter Soviet expansion, about 10 years ago when that condition of approximate parity was reached, the Soviet Union changed its behavior and generally was more willing to take risks cautiously, but testing us, and the way was in their own efforts through surrogates like Cuba and Vietnam to subvert regimes of developing countries.

Now, with the lesson of Vietnam behind us, there was little appetite and a lot of logic in avoiding gratuitous U.S. military engagements where our interests are not at stake, but one must understand that there are some places where our interests are at stake, and where we must be prepared to cope.

This isn't to say that in every place we are challenged the response ought to be U.S. military power. It should not, but not we cannot do that. Far preferable is our private investment, our economic support, our foreign aid program so as to help those countries develop the jobs, education, health care for their people, to assure that their people will not be attracted by Cubans, Russians and other ideas that don't work.

But there are some places where we may not be able to fashion this kind of foreign aid and economic development program to an extent that it is self-sustaining. And that process may be interrupted by the raw use of Cuban or Soviet military power.

In those circumstances, we have to understand, first, is it important to our interests? If so, then we may have to use American force to cope with it.

Now, there is a twilight area where it isn't clear whether or not the issue can be resolved by the people in the country itself, and that today is an issue in Nicaragua. Well, we should argue over whether or not this freedom fighter movement, and implicitly freedom fighter movements elsewhere in the world, from Honduras to the Philippines, are movements that we ought to support.

I could give you my criteria for when we should say yes, and basically they are three: The country ought to be vital to us, the movement ought to be truly popular, not some CIA-sponsored ragtag bunch of ne'er-do-wells, and finally, they ought to be competent—vital, popular and a competent movement.

Nicaragua today, it isn't their fault that they are not competent. They are well-meaning, solid people, and they may become competent, but that isn't clear. But Nicaragua is a test case for us, and we are going to have to pull up our socks in the next year or so, and either say yes, it is important that we stop it there, or tell the freedom fighters, don't trust us anymore; we are going to deal with the problem next door when it happens in Honduras or some place, but let's don't say that it isn't a problem.

Mr. DEWINE. Isn't part of the competency problem the fact that the United States has not been consistent; we had the Soviet Union pouring in hundreds of millions of dollars at a time when Congress was saying yes, and then saying no and saying yes, that was what you had to deal with as a person who was making that policy, who was dealing with it.

Mr. MCFARLANE. Yes, sir, and I welcome the softball—no, truly, that is generous of you.

Mr. DEWINE. They always told me, Mr. McFarlane, that softballs are sometimes harder to hit out of the park. So, I don't know if it was intended as a softball or not, but I think it is a question that a lot of people are asking.

Mr. MCFARLANE. It is a good question, and I ought to simply say that as ambiguous as Congressional signals were, they were engendered, I think, by a lack of communication from the executive branch.

There was a time when I thought that there was a lot of politics, more politics on the Hill on this issue, that after the first year of the President being on a roll and winning everything, maybe the Democrats decided this was a place where the President was vulnerable and decided to go after him.

I don't believe that. I have been for a long time privileged to have a kind of a funny kind of relationship with the former Speaker, and one of the biggest mistakes I ever made was having promoted a policy which he disagreed with, and I proved to be wrong.

Even after that, he expected my views, and I could always feel confident if I went to him and told him something, that he would give me his views, but not sandbag me. In these proceedings, Mr. Boland here, eminently fair and probably the most objective questioning I got here—I think it is a good visible demonstration that this is not a partisan issue.

The President feels these things as vigorously as I do, and I think sincerely wants badly his team of people to reach out and do business with the Congress, and I think that there is a lot of evidence that that is going to improve here with Howard Baker and others where they are.

Mr. DEWINE. Mr. McFarlane, in answer to Senator Trible's question—I won't replow the same ground, but you stated that you felt that part of the problem, or the leak problem could be dealt with by combining those committees, both the Senate Intelligence Committee and the House Intelligence Committee, and I would just like to join that comment.

There was a bill in the House of Representatives sponsored by Congressman Henry Hyde of Illinois, and that has, I believe, over 100 cosponsors. I think there is a companion piece in the Senate, and maybe our experience for the next several months as a joint committee will bode well for the passage of that type legislation.

I think it would help, and as you have pointed out, about the problem with regard to the leaks.

One final question—could you tell us a little bit about your perspective in regard to the strategic importance of Iran to the United States—and my time is almost up—just maybe a minute or two of that. A lot of people keep asking about that.

Mr. McFarlane. Yes, sir.

The importance of Iran derives, obviously, from its geography, sitting astride the lanes between the Soviet Union and the Indian Ocean and beyond.

It has been a coveted avenue for commerce and force projection for several centuries. Not only does it block the Soviet position, but it also sits astride the Gulf and is in a position to strangle the international economy by dint of interdicting oil flows through the Gulf.

Its importance also derives from its policies, virtually all of which we oppose, the spread of Islamic fundamentalism, its efforts to defeat Iraq, to expand its own influence beyond its borders.

For all those reasons we should take an interest in Iran but to recognize that it is essential that it remain at least nonaligned, preferably pro-Western and attentive to any opportunities we can find to open that channel.

Mr. DeWine. One of the more often quoted and telling statements that was made in the Tower Commission appears on page Roman numeral IV, number 11.

"Given the importance of the issue and the sharp policy conventions involved here, Secretary Shultz and Secretary Weinberger, in particular, distanced themselves from the march of events." That is with regard to this series of events.

Do you agree with that? Is that a fair statement based upon what you know, or is that not fair?

Mr. McFarlane. It is very fair.

Mr. DeWine. Do you want to elaborate or is that—you don't have to.

Mr. McFarlane. I don't understand it—I think that the President is paid to make different decisions, and his cabinet officers legitimately have disagreements, but I think that the President ought to be able to rely upon his cabinet officers to remain engaged and objective and critical where they feel it, but engaged and loyal to the President.

Mr. DeWine. Thank you very much.

Chairman Hamilton. Senator Boren.

Mr. Boren. Thank you very much, Mr. Chairman.

Mr. McFarlane, I hope that the American people have listened very carefully to your answers over the last several days, and all of us on the committee have listened very intently as you responded to Congressman Stokes and to Senator Trible and others today and as you shared your thoughts with us.

This whole process will have been for naught, painful experience it has been for those who have had to come before the committee, the amount of time invested in it, if at the end of the proceedings we simply fix blame and responsibility, score political points, total up the score card at the end and say the committee is now adjourned.

I think you are very right in saying it will only have been beneficial to the country, and that is what we are here for, if we learn something from it and if from all of this painful experience something very positive can come.

I think we have learned some very real lessons together these last 3 days. We have learned, number one, that all of us better get busy and commit ourselves to rebuilding mutual trust between the executive and legislative branches, as you have said so eloquently.

We can't do that with rules and regulations or a framework of changes in the system. It is not the system that is really at fault. We can only do that if all of us with good will embark on trying to do that. It can be done.

I know what Congressman Stokes is trying to do and Congressman Hyde in the Intelligence Committee on the House side, and Congressman Hamilton has led in the same direction in the past, and Senator Cohen and I have been working with Mr. Gates, Mr. Webster and Mr. Carlucci, those with whom we are given responsibility to work in the intelligence area, and we have, I would say, in the last three to four months developed a very candid, open relationship in which all the information has been shared, in which the confidentiality of that information has been kept.

The secrets have been protected on both sides so that we could really talk with each other, and if we can do that across the board between the executive and legislative branches, we can reknit something that is so important.

It is a tragedy—even our allies know that they can play Congress off against the President or that they can play republicans and democrats off against each other to further their own interests, because we have not come together with one American foreign policy.

You mentioned Mr. Rayburn, and I look back to that example of what he and President Eisenhower were able to do together.

They didn't always agree. I imagine they had some real fights over the breakfast table, but when they came out they announced an American foreign policy, and we were able to stick to it, and no one was able to drive a wedge between us, and no one was able to cause distrust between us.

And I hope from this that we will have that kind of relationship again.

I think the greatest thing that could happen as a result of these hearings—I wish it would start next week—is for the President of the United States, the Speaker of the House, the democratic and republican leaders of the Senate and the House, to sit down together one on one in a small group and say, "We all work for America, we have to get together and thrash this out, and above all, we have to communicate."

I think that has been a real problem, is that there has been a hesitancy for candid communication. And so, I think that lesson is a very important one.

Not since the period before Vietnam have we truly had a bipartisan consensus foreign policy in this country, and I think if from all the pain that we have gone through with this episode we rebuilt it and we all set to work to do it, what we have gone through here will have been worth it.

The second lesson I think has been tragically borne out by your testimony, and that is we must abide by the Constitutional process.

Mr. BOREN. When I was Governor, there were things I dearly wanted my legislature to pass. Sometimes they didn't pass them, and I was heartbroken, and I thought they had been wrong. But I never considered trying to go out on my own and implement a program anyway through some sort of private method.

I think when we do that, we run such great risk. When we try to get around the law, even laws we think are unwise, we run a grave risk.

I know you as a very honorable man, and Sam Nunn said yesterday there is a balance sheet on Bud McFarlane, and like the balance sheet on everyone that has been interrogating you, there are some minuses on it. Some mistakes have been made by all of us, and you have acknowledged your mistakes.

There are a lot of pluses, too, a great number of pluses. And when you see an honorable man like you led, because we embarked down a path of trying to get around the law, violate your own high standards of personal integrity, when I heard you say, "I didn't inform the Attorney General that I anticipated there might be some destruction of documents," knowing how honorable you are and how much you want to serve the public, I couldn't help but reflect these are the tragic results of trying to go down the wrong path, of not following the normal Constitutional process.

We also end up having important decisions being made by international arms dealers, people like Mr. Ghorbanifar, who apparently passed only his name, and in the various lie detector tests he was given, impacting and making foreign policy, important foreign policy decisions for this country.

And that is a terrible mistake, to bring shadowy people at the edges of any kind of accountability to the public into an important policy-making role, and again, that is what happens when you try to go around the process instead of having the people who were elected or appointed and confirmed to positions of responsibility make those decisions.

Then finally, you end up hurting the very policy that you are trying to carry out.

You and I have spent many hours trying to figure out how we can broaden support for help to the Contras, because I happen to agree with you that we are going to create a power vacuum here in our own backyard, in our own hemisphere, that is going to be filled to our detriment if we don't find some way to help those people regain control of their own countries and their own region, if we don't find some way to stop a communist base.

So we have learned some very important lessons. And it has been valuable, and you have contributed immeasurably with your candor, opening your heart with us and the benefit of your intellectual conclusions to the process.

The Constitution says that the President, under Article II, shall see to it that the laws shall be faithfully executed. It doesn't just say that he won't break the law, or that he will avoid technically getting around the law. It says that he shall be the guardian of the law, he shall see to it that it be faithfully executed.

In this case, did the President establish any kind of monitoring group to assure that no aid directly would go from the Government of the United States to the resistance during this period of time? Did he take affirmative steps to assure that even though he didn't agree with the law that the law would be faithfully executed?

Mr. McFarlane. Senator Boren, the President put in place a system of oversight which is the National Security Council, and includes his Vice President, Secretaries of State, Defense, and myself. I think it was not the President's system, it was the people, and specifically me, within it. The President had a proper system.

Mr. Boren. Let me bring you to another provision of the law, the Pell amendment, which I think has been mentioned here briefly, which stated that we needed to make certain that if any other governments were to give aid to the resistance they would then not receive favors directly or indirectly in return. You have said in your opinion, you don't believe any did receive favors, although there are certainly some comments on the record that indicate certain weapons were attempted to be provided to certain countries—one country in particular—that expedited some arms shipments.

How could the Congress, which passed this law, how could the Congress monitor compliance with the law, how could they make sure that no favors were being given to third countries in return for helping the Contras if the Congress was not even informed that such aid was being given on our own request?

Mr. McFarlane. I think Congress should have been informed.

Mr. Boren. Let me go back to a question that was—that arose during the testimony of an earlier witness. As we now know, the arms sales to Iran generated about $15 million approximately in what might be called surplus or profit or whatever term you want to use. After we reimburse the government for $12 and a half million, paid the actual expenses of transportation, there was about $15 million left. We know that a small amount of it, maybe $3 and a half million, ended up going to the Contras ultimately in some form or another.

When the President issued that finding and perhaps he had in mind helping get the hostages out, perhaps he had in mind ultimately opening new channels of communication to elements in Iran, do you think he intended that the prices of those arms would be marked up from what you know about the President's policy aims in this area? Do you think he intended that private individuals would end up controlling some $15 million of surplus or profit to do with in their own absolute, to deal with in their own absolute discretion, to spend as they saw fit, without any kind of constraint or control by the government?

Mr. McFarlane. No sir.

Mr. Boren. So, on what do you base your answer that you don't think the President would have intended that the $15 million that would be generated would be able to be used by private individuals as they saw fit?

Mr. McFarlane. When I served in the government, which was before this event, the President's mission was oriented exclusively towards Iran and achieving results with Iran and he did not see it linked to any other policy goal whether Central America or Asia.

Mr. Boren. In your opinion, would it be inconsistent that some $15 million of profits were generated if you were trying to curry favor with Iran or moderates in Iran, to generate $15 million of profit? Was that consistent with that goal or consistent with the goal of making them happy enough to release the hostages?

Mr. McFarlane. No sir.

Mr. Boren. Let me ask you, we know that this whole group of private individuals who say they were not acting as agents of the government, ended up being involved in the efforts in Central America. Although as a supporter of aid to the Contras, I am somewhat disturbed by the fact that they appeared to be charging commissions to the Contras on what they purchased with the donor funds and keeping some of those monies for themselves, and investing them in machine gun factories and other places. Do you think it is appropriate, were you aware of the fact that secret encrypting devices, the CL-43s, were being given to private individuals who had no official government status, some of whom didn't even have security clearances? Were you aware of that?

Mr. McFarlane. I wasn't. I saw on the trip that some of the people involved with the trip did have these things and I didn't know that anybody else did. The people that were on the trip, of course, were involved in the mission.

Mr. Boren. In your opinion, is it lawful during a period of time in which aid by the government directly or indirectly, was banned, for us to be giving government property, in fact very highly sensitive, secret encrypting devices, pieces of equipment, to private individuals for the purpose of carrying on what they claim was a private operation?

Mr. McFarlane. No sir.

Mr. Boren. Did it come to your attention as National Security Adviser, when you held that position? Would you have put a stop to it?

Mr. McFarlane. No sir.

Mr. Boren. Have you had any conversations with the President of the United States since you first began testifying in the Intelligence Committees last December, or during the testimony that you are now going through? In the intervening months say between December and now, have you had conversations with the President or have you had any reaction from the President in terms of the statements that you have been making either before us or in news accounts, or articles or otherwise?

Mr. McFarlane. I have had two calls from the President, sir.

Mr. Boren. What has been the nature of those conversations?

Mr. McFarlane. The first one was purely a gracious gesture on the part of the President after I had made a public comment about having erred and feeling responsible, that he didn't feel that way, that he believed he had done the right thing and it was just an expression of generosity.

And the second was two nights ago when he called to say that he had watched the hearings and he had thought that they showed more—shed more light on this issue than all of the previous efforts put together.

Mr. **Boren**. When funds were obtained from these other countries—and you have testified you knew, of course, that these funds were obtained and were going into the private efforts to help the resistance in Nicaragua—was your only oversight over how these dollars were being spent a few oral reports from Colonel North?

Mr. **McFarlane**. That was the only input that I received, yes, sir.

Mr. **Boren**. So really, as I understand it, you didn't become deeply involved in terms of finding out who it was that was handling the money, to make sure that the money was going for helping the Contras and not going into private pockets? You didn't really monitor that very carefully?

Mr. **McFarlane**. Well, I think that I—I understand your point and I have met Adolfo Calero and he seems to me a man of honesty and I did know, in fact, that the money went to an account that he controlled and no one else.

And it is true, one has to make some judgments about whether you are going to get involved with a movement at all or not. But one of the criteria is, is the leader of it an honest person.

Mr. **Boren**. Did you know that some of the funds, some of which were paid by Mr. Calero into accounts, ultimately were going to come under the control of Mr. Secord, Mr. Hakim, Mr. Clines and others that have been involved in some way or another in the international arms trade?

Mr. **McFarlane**. Well, I have never met Mr. Hakim, nor Mr. Clines, nor most of the other figures in this investigation. I have met General Secord and I have worked with him in the Government and have found him to be a man of integrity.

I didn't know, is the short answer. But I would not have objected to General Secord's being the custodian of money.

Mr. **Boren**. Would you have accepted him if you knew he were in partnership with Mr. Hakim, who would actually have custodial rights over the accounts, and with Mr. Clines and others with whom he associated himself in the operation?

Mr. **McFarlane**. Yes, sir. I would want to know whomever were going to have authority to tinker with the money.

Mr. **Boren**. Well, again let me thank you, Mr. McFarlane, and again say, as I said in the beginning, there are many pluses on that ledger on the side of your public service and I hope all of us will learn from what you have said, and I hope we will all endeavor to embark on a crusade to form an American policy, one in which we all realize we can work for the same people and the same government.

I appreciate your testimony.

Mr. **McFarlane**. Thank you, Senator Boren.

Chairman **Hamilton**. Mr. Jenkins.

Mr. **Jenkins**. Thank you very much, Mr. Chairman.

Mr. McFarlane, I want to echo the comments of Senator Boren. I, from the Democratic side, have been one of those that supported the Contra effort. I truly believe in a bipartisan foreign policy in this country.

I think that we began the road down when there was so much dissension, lack of bipartisanship, in President Carter's years. I saw terrible political fights that I thought were not right for the nation. I have seen some during this administration. I say that as a preface to my remarks.

While I supported Government actions, I am extremely disturbed, disappointed, shocked, at the activity of people within this administration in soliciting private funds, in soliciting aid from third countries, from foreign countries, after the Boland amendment had been adopted.

You know, I win some and lose some, as you indicated, and you have, I think, a feel for the Legislative Branch. But it seems to me that when we get into seeking and soliciting funds from other countries when the Congress has decided that that is not the right approach, that that is fraught with difficulties, great dangers, and I think you have alluded to that somewhat during your testimony.

Nevertheless, you were aware, or have become aware, that those solicitations were taking place, is that correct, from Country A, B, C, D and others?

Mr. McFarlane. Well, my testimony hasn't been in quite those terms, Mr. Jenkins. But I was conscious that other countries were contributing, that is correct.

Mr. Jenkins. And you were conscious also, were you not, that—or became aware later—that the State Department, certain people within the State Department, as well as Colonel North, were actually soliciting funds?

Mr. McFarlane. Yes, sir.

Mr. Jenkins. It has been stated——

Mr. McFarlane. I believe the State Department solicitation is, I assume, well known, a legal act.

Mr. Jenkins. I am not questioning the legality of it. I am questioning the perception——

Mr. McFarlane. Yes, sir.

Mr. Jenkins. —perception that could develop.

Let me give you an example. If I were not a practical person and I hope a fair person, I might, having discovered what I have discovered in the last three or four days, come to a terrible decision on a matter that was very important to the Congress, very important to me individually.

In October 1985 when the State Department was scheduling an appointment for Colonel North to meet with one of these countries that later contributed $2 million, I was involved in a tough legislative battle in this House. On October 12, I believe, of 1985, this House passed a textile bill, very controversial. At that very time, Colonel North apparently was soliciting, from a nation that was impacted by this bill, funds secretly and that country later delivered $2 million, according to the testimony.

The President vetoed that bill in December 1985 and between December 1985 and August 1986, when the Congress decided to sustain the President by an eight-vote margin, there were entreaties apparently made to many other nations that were impacted by this legislation.

Now, I am pointing this out without making any allegations, because I don't think that that occurred—as I say, I am a fair person—but as I see a nation that is severely impacted by a Congressional bill, where the State Department is involved in lobbying against it, and the administration, through its agents, goes to a foreign nation that is impacted or may be impacted and "says we need financial help secretly," and it is delivered, is that nation placed in a compromising situation if that legislation is important one way or the other to that country?

Mr. **McFarlane**. What is worse, we would be.

Mr. **Jenkins**. So this is the type of thing that is extremely dangerous from a perception standpoint, is it not?

Mr. **McFarlane**. I agree with that, yes.

Mr. **Jenkins**. I think I could go back into my District or around this country and say while I was fighting for this bill, unbeknownst to me one of the nations that was severely impacted was secretly giving millions of dollars to the executive branch that later vetoed the bill, that ought to be disturbing to me, don't you think?

Mr. **McFarlane**. I agree, sir.

Mr. **Jenkins**. That is the type of danger that I see and which you see, and in this type of private, secret solicitation and funding of efforts that you and I agree with as far as the Government action.

But I hope you and I hope the administration, presently the President, will see the problem with this type of policy.

Now, I want to get off of that. I simply, as a country lawyer, wanted to explain to the administration that this type of action is extremely unwise, in my view.

With my limited time, on a totally different subject, I want to ask some very simple questions about the DEA hostage situation, because this is news to me.

Whose idea was it for the DEA hostage ransom plan, Mr. McFarlane?

Mr. **McFarlane**. I believe that the DEA agents, one of them, identified to Colonel North that they had in the line of duty had contacts that they had made in Lebanon, that they had determined, that they thought had influence with the captors, and that Colonel North elevated it to me and I referred him to the Attorney General for determination of whether or not the DEA officers could properly participate in using their talents for other than DEA purposes, and I talked to the President about it, and the legalities and so forth were handled by the Attorney General, and it was a matter of consensus between the Attorney General, the President and myself.

It is a very sketchy summary I have given you.

Mr. **Jenkins**. Let me ask you this, was the President's approval oral or was it in writing?

Mr. **McFarlane**. Well, reporting on the matter was fully aboveboard and in writing and probably is a matter of record. I honestly don't know whether that is written down on paper or not, but it was not anybody's inhibition about it.

Mr. **Jenkins**. Was there a meeting with the Attorney General and the President and others on this matter?

Mr. **McFarlane**. I don't believe so.

Mr. Jenkins. Who in the administration knew about the plan besides the Attorney General and the President?

Mr. McFarlane. I don't know, Mr. Jenkins.

Mr. Jenkins. As I understand it, the expenses of the DEA agents to carry out this hostage ransom plan were to be paid from the monies raised for the support of the Contras; is that correct?

Mr. McFarlane. I have learned that and—yes.

Mr. Jenkins. Was the President aware that these Contra funds were going to be used in carrying out the DEA plan?

Mr. McFarlane. I don't think he was, no, sir.

Mr. Jenkins. You do not recall whether or not he——

Mr. McFarlane. I don't believe he was.

Mr. Jenkins. —Specifically knew. Was the Attorney General aware of the source of these funds for the DEA ransom operation?

Mr. McFarlane. I don't know, sir.

Mr. Jenkins. Well, was it ever discussed as to where the money was coming from other than it was coming out of the Contra funds?

Mr. McFarlane. I don't believe so, sir.

Mr. Jenkins. Mr. McFarlane, I know my time is up, I simply want to express my appreciation to you. I have not known you before. I have listened to you very closely.

You have a lot of Members from both sides of the aisle that have a great deal of respect for you and your testimony has been long and hard and I am convinced that you have attempted to be truthful with this panel as you have attempted through the years as you worked with the legislative branch.

I simply want to thank you for your testimony even though I am sure that you will be delighted to see this day over because it has been a long hard day for all of us and particularly you.

Thank you very much.

Mr. McFarlane. Thank you, Mr. Jenkins.

Chairman Hamilton. Mr. McFarlane, you have probably been impressed, as I certainly have, with the quality and thoroughness of the questions that have been asked by my colleagues, and you will be pleased to know that I really do not intend to ask you any questions.

I do want to make a comment, and if you would like to respond you certainly are invited to do so, but you don't need to.

First I want to thank you for your testimony, as others have done. You have been generous in your time. You have been very careful in your responses and you certainly have helped these two committees understand this complex sets of facts.

You have provided very important insights into what went wrong in the foreign policy making process and we are grateful to you.

I think the totality of your testimony is a crucial document for our purposes and certainly for the purposes of history. And I want to commend you for it and at the same time I want to express to you some of my concerns about it.

Your opening statement deserves in my judgment very high praise. Your insights there are worth reflection throughout our inquiry, and I hope by students of the foreign policy-making process. There are a number of aspects of it that are good.

I want to point out one statement in which you say that if we had a large strategic stake, it was clearly unwise to rely on covert activities as the core of our policy, and you have reiterated that in your testimony.

I think that is a great insight into the foreign policy-making process and what went wrong in this case. You point out that there are two reasons why you cannot use covert actions for this purpose. Both are valid: you can't get the resources for it and you can't sustain popular support.

You stated when the President and the Congress cannot agree, to charge ahead—I think were your words—is to invite disaster. I think those are significant statements and I applaud you for them. I hope they will be read, studied, absorbed.

Now, what concerns me is the disparity between your opening remarks and the remainder of your testimony. The approach to making—to the making of foreign policy set forth in your opening statement is in my view quite at odds with the foreign policy process you have described in your subsequent testimony.

To my mind, at least, they are hard, if not impossible, to reconcile. I will not go into a lot of detail here, but let me quote some of your words. When questioned about various aspects of your involvement in providing assistance to the Contras, you have told us that you "used some tortured language"; that you did not provide "a full account"; that you were "too categorical"; and that you gave the Congress in response to congressional inquiries "incomplete statements".

In testimony under oath before the Foreign Affairs Committee last year when you were asked about the contributions, you responded, "I have no idea of the extent of that or anything else."

And you said, "I have seen the reports and heard that Country Two contributed. The concrete character of that is beyond my ken."

Now, I have been impressed as I have sat here for these hours again and again with the clear discrepancies then what you and others in the administration told the Congress that the administration was or was not doing and what, in fact, was done. And so I ask myself: How can the Congress find out what has happened?

If the National Security Adviser to the President of the United States and other high officials do not provide complete and accurate answers to the Congress, what can we do? How must we frame our questions to get the facts?

Must we put every executive branch official under oath who comes before us? Must we regard every claim of executive privilege and every statement of explanation with great skepticism? When can we be assured that we are hearing the whole truth?

How can we get a total account of what is happening so that we can be a responsible partner rather than an adversary in the process?

How can our system of government work if the administration is not candid in its answers to the Congress?

The Congress only knows one way to get information, and that is through the process that we are engaged in here.

Senator Sarbanes asked you who or what you were trying to shield or protect and you said in short that you were trying to protect yourself. And repeatedly during these hearings you have volunteered to take the blame, the whole blame, on yourself.

I appreciate your willingness to shoulder great responsibilities. I admire you for it, but I cannot accept that answer. As the National Security Adviser, you are the spokesman for the President of the United States. And when we write to you we do not write to Mr. McFarlane, we write to you as the representative of the President. And when you spoke to the Congress and when you wrote to the Congress, we accepted your words and your assurances as those of the President.

You spoke for the President. And the responsibility must rest with him as well as with you. You cannot, it seems to me, accept responsibility for mistakes, as admirable as that may be, and thereby absolve the President of responsibility.

As long as I have been in the Congress, the President, every President, calls for bipartisanship in foreign policy, and we all want bipartisanship in foreign policy. But bipartisanship requires Congress' informed consent. It cannot merely be a call to support the President's policy.

And I do not see how the events that you have described, the lack of trust between Congress and the Executive, the lack of candor in response to congressional inquiries, the failure to volunteer information, the misleading responses, the resort to technicalities and nuances, I do not see how those events create the conditions which make a bipartisan foreign policy possible.

And you are quite right, as you have told us a number of times, that each branch of government must have a healthy respect for the other branch's constitutional responsibility in foreign affairs. We are not adversaries in this process, we are partners, and I know that the Congress bears some responsibility, as many of my colleagues have pointed out, for some of the wrongs that you have mentioned in making foreign policy. So all of us, Mr. McFarlane, will remember your testimony with gratitude to you and with appreciation. And I hope all of us will work a little harder in carrying out our efforts to achieve an honest and a complete dialogue between the Congress and the Executive. Otherwise, as you have told this committee, we invite disaster. So we thank you, sir, for your testimony.

Did you have any further statement?

Mr. McFARLANE. Mr. Chairman, you have indeed I think expressed a collective sentiment eloquently. There is no rebuttal.

The four days of testimony has been perhaps one percent of the time that you and I have invested in this in the past six months, and the truth that I think you have produced here is not a truth of four days of considerable time that you and others have spent in private sessions, not public, but they have produced truth. They don't discuss that in public settings less than a complete picture has been told before, but nor should they hide that the public treatment often of matters of embarrassment to others, not to us alone, are important. But I respect enormously what you have said, those of your colleagues, and believe you have chaired a very constructive exchange, and I appreciate it.

Chairman HAMILTON. Well, all of us wish you well, Mr. McFarlane, in the days ahead.

This concludes the morning session.

We will assemble at 2:00 for other witnesses. The committee stands in recess.

[Whereupon, at 12:40 p.m., the committee was recessed, to reconvene at 2:00 p.m. the afternoon of the same day.]

The select committees met, pursuant to recess, at 2:00 p.m., in Room 2154, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the House Select Committee) and Hon. Daniel K. Inouye (chairman of the Senate Select Committee) presiding.

AFTERNOON SESSION

Chairman **HAMILTON**. The joint hearings of the two select committees will come to order.

May I begin by advising my colleagues that we have just had a brief meeting of the Chairmen and Ranking Members, the Chairman and Vice Chairman of the Senate and Chairman and Ranking Member of the House Committee.

We are very conscious of the time constraints that we confront. We have had very extended sessions with our two previous witnesses and it is absolutely essential that we begin to move along at a quicker pace.

Thus, we are suggesting for our procedures that we follow the following pattern: The witness will be questioned first, after any opening statement they care to make, by the counsel. Counsel's time will be sharply limited. There will be one counsel questioning. Senate counsel will question when it is a Senate witness; House counsel will question when it is a House witness.

If there should be, at the end of the counsel's time of questioning, an additional question or two that one of the other counsel wants to place to the witness, we will permit that, but it will be very, very limited in time.

After counsel have questioned, we will turn to the principal questioners who, as you all know, have been identified before—this afternoon with regard to our witness, they are Senators Nunn and Cohen and Representatives Courter and Jenkins. We will ask that each of them restrict themselves to no more than twenty minutes in asking questions.

At the end of that time, we will follow a five-minute rule for other members, and it is not necessary that members take the five minutes, but we will ring a bell or call time when it is time, so we can move on.

We don't want to preclude members from asking questions that they think are important, but keep in mind we have completed two witnesses and we have 25 or more witnesses to go in the first phase of the hearings, so it is essential that we move on with dispatch.

Our witness this afternoon is Assistant Secretary Gaston Sigur. He is the Assistant Secretary for East Asia and Pacific Affairs.

Secretary Sigur, would you stand, please, to take the oath.

[Witness sworn.]

Chairman **HAMILTON**. You may be seated.

Questions will begin with Mr. Mark Belnick.

Mr. **BELNICK**. Good afternoon, Mr. Sigur.

You have been Assistant Secretary of State for East Asia and Pacific Affairs since March 1986?

TESTIMONY OF GASTON J. SIGUR, JR.

Mr. SIGUR. That is correct.

Mr. BELNICK. And am I correct that in that position you are responsible for—generally responsible for policy and other matters throughout the East Asia and Pacific region?

Mr. SIGUR. That is correct.

Mr. BELNICK. Before turning to your other work in the Government, Dr. Sigur, I would like to summarize with you your background.

As I understand it, you did your undergraduate work at the University of Michigan, from which you also received Master's and Ph.D. degrees in Far Eastern History?

Mr. SIGUR. That's right.

Mr. BELNICK. After that you taught for a while at the University of Michigan, you worked for various foundations that were involved in Asian matters, correct?

Mr. SIGUR. Yes.

Mr. BELNICK. And then in 1972 you became Director of the Institute for Sino-Soviet Studies and Professor of International Affairs at George Washington University.

Mr. SIGUR. That is correct.

Mr. BELNICK. You stayed in that position until July 1982, when you became a member of the staff of the National Security Council?

Mr. SIGUR. Yes.

Mr. BELNICK. Am I correct?

Mr. SIGUR. That's right.

Mr. BELNICK. On the National Security Council staff, Dr. Sigur, what was your original position in July 1982?

Mr. SIGUR. I was Senior Director of Asia Affairs.

Mr. BELNICK. And you were first at that time reporting to Judge Clark?

Mr. SIGUR. Yes, that's correct.

Mr. BELNICK. And subsequently to Mr. McFarlane, when he became the National Security Adviser?

Mr. SIGUR. That's right.

Mr. BELNICK. Now, what did your job entail at the National Security Council in the directorate on East Asian Affairs?

Mr. SIGUR. I oversaw our overall policy as an NSC staff member. That East Asia and Pacific was identified the same way as it is in the State Department, that is, covering the East Asia countries and the Pacific area, the islands, Australia and New Zealand.

Mr. BELNICK. You coordinated policy in that area for the NSC?

Mr. SIGUR. Yes, I did.

Mr. BELNICK. And you were the National Security Adviser's chief adviser on that area of the world?

Mr. SIGUR. On that area, that is correct.

Mr. BELNICK. Now, you remained full-time at the NSC until October 1984?

Mr. SIGUR. Yes.

Mr. Belnick. During that time I understand you added a title of "Special Assistant to the President"?

Mr. Sigur. Yes.

That was added in 1983.

Mr. Belnick. But that was simply a change in title, your job responsibilities——

Mr. Sigur. My job responsibilities were the same.

Mr. Belnick. Remained the same?

Mr. Sigur. Yes.

Mr. Belnick. In October 1984, Dr. Sigur, I understand that you began to teach again but stayed on at the NSC as a consultant.

Mr. Sigur. That's correct.

Mr. Belnick. But your job still remained the same, correct?

Mr. Sigur. I was still asked to oversee the East Asia-Pacific area, yes.

Mr. Belnick. You were still reporting to the National Security Adviser?

Mr. Sigur. Yes.

Mr. Belnick. On all affairs in that region of the world?

Mr. Sigur. Yes, I was.

Mr. Belnick. You still had the same office at the NSC?

Mr. Sigur. Yes, I kept the same office.

Mr. Belnick. Your work hours were less, but——

Mr. Sigur. My work hours were considerably less, but I was there.

Mr. Belnick. And you usually attended the daily senior staff meetings with the National Security Adviser?

Mr. Sigur. Usually, yes.

Mr. Belnick. And you remained in that position until March of 1986, when you went to the State Department?

Mr. Sigur. That is correct.

Mr. Belnick. And during that entire time, you were still the senior person in the East Asian and Pacific Region on the National Security Council?

Mr. Sigur. Yes, I was.

Mr. Belnick. OK.

Dr. Sigur, did there come a time that Oliver North approached you and asked you to contact the U.S. Resident Representative of an Asian country, which we shall refer to at this hearing as Country Number Three, to ask that representative whether his country would contribute to the Contras?

Mr. Sigur. Yes, that occurred, to the best of my recollection in the summer of 1985. I was asked, I was told that—by Colonel North—that he and Mr. McFarlane understood that this Country Number Three might have an interest in giving some assistance, financial assistance in the humanitarian area to the Contras.

Mr. Belnick. Did Colonel North tell you whether he was speaking for Mr. McFarlane or did he assert that he was?

Mr. Sigur. Yes. There was no question about that in my mind.

Mr. Belnick. What do you recall that he said?

Mr. Sigur. Well, he said that he and Mr. McFarlane understood this, and they hoped that I would meet with this individual from Country Number Three and find out whether this was the case, talk to him.

Mr. **Belnick**. Was this a conversation alone between you and Colonel North?

Mr. **Sigur**. Yes, it was, to the best of my recollection, there was no one else there.

Mr. **Belnick**. At the NSC offices?

Mr. **Sigur**. Yes. Somewhere there. I am not sure where, but somewhere.

Mr. **Belnick**. In that conversation, did Colonel North tell you anything about the condition of the Contras, what kinds of assistance he thought they required?

Mr. **Sigur**. Oh, yes, he talked to me about the sad condition that they were in, how bad off they were, that they had no funds and that they were very short of medical supplies and food and clothing and all of this sort of kind of needs, and that, to my mind, was the heart of the matter.

Mr. **Belnick**. So, he presented it as an emergency situation?

Mr. **Sigur**. Yes. Yes, indeed, he did.

Mr. **Belnick**. And he asked you to find out whether Country Number Three would be willing to help?

Mr. **Sigur**. That is right.

Mr. **Belnick**. What did you do?

Mr. **Sigur**. I made a point to meet with the—with one of the representatives of that country. I talked this matter over with him.

Mr. **Belnick**. This was in August 1985?

Mr. **Sigur**. I think it was—no, I would say it was in July probably, late June or July of 1985. I talked the matter over with him, and he said that he was not a policy man, of course, he could not decide anything.

He said he would have to go back to his home government on it. He gave as his view and some indication that perhaps there had been perhaps some conversation of some kind about this sometime in the past, that his government would only be able to do this by providing funds directly to the U.S. Government.

Mr. **Belnick**. Let me go back over a few points in that conversation.

Mr. **Sigur**. Yes.

Mr. **Belnick**. You say that the foreign official gave you an indication that there had been some discussion with this country in the past.

Mr. **Sigur**. Well, it seems to me there was some discussion somewhere. The whole idea was not totally foreign to him is what I want to say.

Mr. **Belnick**. Which idea?

Mr. **Sigur**. The idea of giving some possible financial assistance to the Contras, providing that.

Mr. **Belnick**. You understood that he was referring to a prior conversation?

Mr. **Sigur**. I am not sure he himself had any, I doubt that, but I think he had some understanding of some kind of—some background of some sort, which I didn't know anything about.

Mr. **Belnick**. My question is did you understand he was referring to a prior conversation between someone representing his government and someone representing the U.S. Government?

Mr. **Sigur**. Not necessarily. I wouldn't put it that way. It would fit—I thought of it more in terms of what Colonel North had said to me, that is, he and Mr. McFarlane had an indication that these people were interested in doing something. I sort of saw it in that context.

Mr. **Belnick**. What did you tell this foreign official at your breakfast meeting?

Mr. **Sigur**. Well, I just told him, again explaining the situation, told him why I was talking to him.

Mr. **Belnick**. What did you say, as best you can recall?

Mr. **Sigur**. I said that I had been talking with Colonel North and he told me about the serious situation the Contras had found themselves in and so forth. I went over that whole thing and talked about humanitarian assistance.

Mr. **Belnick**. And you were asking him to have his country provide that assistance?

Mr. **Sigur**. Well, I was asking him to check back on it, yes, find out what the situation was, yes.

Mr. **Belnick**. Encouraging them to do, to help out in emergency situations?

Mr. **Sigur**. Yes, in a sense, that is right.

Mr. **Belnick**. That was your purpose?

Mr. **Sigur**. My purpose was to feel him out and to see what the possibilities were.

Mr. **Belnick**. And to urge that they make that contribution if his government was agreeable?

Mr. **Sigur**. Well, I—the word urge is a little strong perhaps, but to talk to them about it and see whether they were agreeable, to tell him how serious the situation was.

Mr. **Belnick**. And that was the outcome you were looking for, that there would be a contribution?

Mr. **Sigur**. Well, I was hoping so, of some kind.

Mr. **Belnick**. Did you mention any specific amount of financial assistance at the meeting?

Mr. **Sigur**. No, I did not specifically. I am pretty sure I didn't.

Mr. **Belnick**. As I understand, the foreign official said that he would check with his government but that he thought that any such assistance which they would give they would want to channel to the U.S. Government and from there to the Contras, rather than to the Contras directly?

Mr. **Sigur**. That is correct.

Mr. **Belnick**. What did you tell him about that?

Mr. **Sigur**. I didn't answer that. I told him I would have to report back to Mr. McFarlane on the conversation that I had with him. I didn't answer him.

Mr. **Belnick**. Have you now told us everything your recall about that breakfast?

Mr. **Sigur**. About that particular breakfast, yes.

Mr. **Belnick**. All right, sir. What did you do next after that breakfast meeting?

Mr. **Sigur**. I went to see Mr. McFarlane. I think it was probably the same day. I can't be absolutely certain of that, but I think so. And I told him that I had, as a result of my talks with Colonel North, and Colonel North saying to me that he and Mr. McFarlane were interested in finding out what the situation was, that I talked with this particular individual of Country Three and that he had said that any funds would have to be channeled, he thought, channeled through the U.S. Government.

Mr. McFarlane's response to that was that this is not possible, that that cannot be done, and so I saw that as the end of that, and I told Colonel North about it.

Mr. **Belnick**. Let's stay with the conversation with Mr. McFarlane for a moment. Was it just the two of you alone in that conversation?

Mr. **Sigur**. It was just the two of us as I recall, yes.

Mr. **Belnick**. Did Mr. McFarlane give you any reason why it would be impossible for the funds to come from Country Three to the United States?

Mr. **Sigur**. No, he didn't.

Mr. **Belnick**. Did you understand why?

That was the problem?

Mr. **Sigur**. No, I didn't understand. I didn't—I didn't really understand. Before I talked, by the way, to this individual from Country Three, talked, I specifically said to Colonel North, because you know, I was aware obviously of some of the congressional actions taken, that I didn't, I was not aware of all the details of them, but I knew that there was some which involved the curtailment of assistance to the Contras.

Mr. **Belnick**. Sure.

Mr. **Sigur**. So I said to Colonel North, I said, now, everything here is quite legal?

And he said, oh, yes, we have checked all that out and there is no question about that. So I took that on face value.

Mr. **Belnick**. And you had that conversation with Colonel North before you had the breakfast with the foreign official?

Mr. **Sigur**. Yes, I did.

Mr. **Belnick**. Did Colonel North tell you with whom he had checked out the legality of this solicitation?

Mr. **Sigur**. He said with lawyers.

Mr. **Belnick**. Did he say which lawyers?

Mr. **Sigur**. No, he did not.

Mr. **Belnick**. Did he indicate whether they were government or private lawyers?

Mr. **Sigur**. No, he did not.

Mr. **Belnick**. And you didn't ask?

Mr. **Sigur**. I didn't ask.

Mr. **Belnick**. All right, sir.

Now, back to the conversation with Mr. McFarlane. Did Mr. McFarlane express any surprise to you that you had had a meeting to discuss——

Mr. **Sigur**. No.

Mr. **Belnick**. Financial assistance——

Mr. **Sigur**. No.

Mr. **Belnick**. —with a foreign official?

Mr. **Sigur**. No, because I prefaced my remarks by saying in accordance with what Colonel North had said you and he wanted me to do.

Mr. BELNICK. Did he express any disagreement with the proposition that it was both he and Colonel North who wanted you to do it?

Mr. SIGUR. No.

Mr. BELNICK. By the way, Dr. Sigur, at any time while you were on the NSC staff, did Mr. McFarlane say to you in words or in substance that no member of the staff should either solicit, encourage, broker or otherwise engage in a soliciting of financial assistance from foreign countries for the Contras?

Mr. SIGUR. Not to my knowledge. I don't recall that at all.

Mr. BELNICK. Did he ever say that at a staff meeting that you attended?

Mr. SIGUR. Not that I attended.

Mr. BELNICK. Was it ever reported to you that he said it at any meeting?

Mr. SIGUR. I don't ever recall that.

Mr. BELNICK. Did Colonel North ever tell you that he, North, had been so instructed or admonished by Mr. McFarlane?

Mr. SIGUR. No, he did not.

Mr. BELNICK. All right, sir.

So Mr. McFarlane told you in your conversations—I guess we are still in July 1985?

Mr. SIGUR. I think so. I think it is July, yes.

Mr. BELNICK. Thereabouts?

Mr. SIGUR. Yes, thereabouts.

Mr. BELNICK. Mr. McFarlane told you that it would be impossible for the monies to come through the U.S. Government?

Mr. SIGUR. Yes, he did.

Mr. BELNICK. And did you report that to Colonel North?

Mr. SIGUR. Yes, I did.

Mr. BELNICK. And did you report to Colonel North on what the foreign official had told you?

Mr. SIGUR. Yes, I did.

Mr. BELNICK. And what did Colonel North say?

Mr. SIGUR. He didn't say much of anything at the time. But then a week or ten days or two weeks later he came back to me and asked if I would arrange for him to meet with that particular individual from Country number Three and he gave me to understand that what he wanted to do was to talk to that individual about the possibility of some kind of meetings that could be arranged between not necessarily that particular person but his—but somebody from that country with the Contra leadership.

Mr. BELNICK. All right, sir. And did you arrange a meeting for Colonel North?

Mr. SIGUR. Yes, I did. I arranged a meeting.

Mr. BELNICK. With the same official of Country Three that you had met with?

Mr. SIGUR. With the same official, yes, and——

Mr. BELNICK. That was at the Hay Adams Hotel?

Mr. SIGUR. Yes.

Mr. BELNICK. In August 1985?

Mr. SIGUR. In August 1985.

Mr. BELNICK. You were there?

Mr. SIGUR. No. Well, I was there in a sense that I brought—walked over with Colonel North, introduced him and then I left. So I did not participate in the meeting.

Mr. BELNICK. You didn't hear any of the discussion between Colonel North——

Mr. SIGUR. I didn't hear a word of it.

Mr. BELNICK. And the foreign official?

Mr. SIGUR. No.

Mr. BELNICK. Did Colonel North report to you on that conversation?

Mr. SIGUR. No, he did not.

Mr. BELNICK. What was the next you heard about this matter, and from whom?

Mr. SIGUR. The next I heard, I believe—and this took a while, I don't know how long it was—was from that particular official who said that that country, Number Three, had decided to provide some humanitarian assistance financially to the Contras in the form of—in the amount of $1 million.

Mr. BELNICK. When you say it took a while before you heard this, would you be talking about weeks?

Mr. SIGUR. I think probably weeks. I don't know how long it was.

Mr. BELNICK. But the same time period, summer of 1985.

Mr. SIGUR. Summer of 1985, yes, in the fall.

Mr. BELNICK. Perhaps in the fall?

Mr. SIGUR. Beginning into the fall, yes, I would assume, I think so.

Mr. BELNICK. And the foreign official told you that Country Number Three was prepared to contribute $1 million?

Mr. SIGUR. $1 million.

Mr. BELNICK. To whom did you report that?

Mr. SIGUR. Colonel North.

Mr. BELNICK. And did Colonel North give you any instructions about how that $1 million should be transmitted to the Contras?

Mr. SIGUR. All he said was—not immediately. This came a few days later I guess when he said, asked if I would call this particular official and say that someone on behalf of the Contras would go and talk to him and tell him how the funds should be transmitted. So I passed that on to the official.

Mr. BELNICK. Do you know whether the official subsequently met with a representative of the Contras?

Mr. SIGUR. He told me he did.

Mr. BELNICK. Do you know the name of the representative?

Mr. SIGUR. No, I do not.

Mr. BELNICK. Do you know the name at the time?

Mr. SIGUR. No, I don't think I did. I don't recall that. It slips me if I have, but I don't think I ever knew the name.

Mr. BELNICK. Were you ever told it was a gentleman by the name of Robert Owen?

Mr. SIGUR. I don't think so, not to my knowledge or recollection.

Mr. BELNICK. Dr. Sigur, was it confirmed to you subsequently that Country Number Three had, in fact, sent its $1 million contribution to the Contras?

Mr. **Sigur**. Well, Colonel North told me that, and as I say, the individual himself from the country told me that, so that is all I knew.

Mr. **Belnick**. They both told you the money——

Mr. **Sigur**. They both told me that, so I assumed it had been.

Mr. **Belnick**. And this contribution was sent in the form of money, $1 million?

Mr. **Sigur**. Yes. Well, I can't—that is, what——

Mr. **Belnick**. That is what you were told.

Mr. **Sigur**. That is what I was told, yes.

Mr. **Belnick**. All right, sir.

Now, prior to speaking to the foreign official of Country Number Three, you did not speak to Mr. McFarlane; am I correct?

Mr. **Sigur**. No, I did not.

Mr. **Belnick**. Why not?

Mr. **Sigur**. I didn't see any need. I thought that—I mean, there was never a question in my mind that Colonel North spoke for Mr. McFarlane.

Mr. **Belnick**. In things relating to Central America?

Mr. **Sigur**. In Central America, yes, and terrorism.

Mr. **Belnick**. Before speaking to the official of Country Number Three, did you advise anyone at the Department of State?

Mr. **Sigur**. No, I did not.

Mr. **Belnick**. Why was that, sir?

Mr. **Sigur**. I didn't see any need. I didn't—I assumed that something of this kind was probably something which had governmental clearances—let me put it that way—which was somewhat broad.

I didn't think that it didn't. There was no reason for me to question that in my mind.

Mr. **Belnick**. Now, did there come a time that Colonel North returned, Dr. Sigur, and asked you to go back for a second time to Country Number Three and ask for additional money for the Contras?

Mr. **Sigur**. Yes, I think that was later—I think that was moving into the fall, late fall, when we did that.

Mr. **Belnick**. Of 1985?

Mr. **Sigur**. Of 1985.

Mr. **Belnick**. Around October 1985?

Mr. **Sigur**. Again, you know, talking about how desperate the situation was and so forth, and see if there was any chance for them to do any more. So I did.

I asked them that, and then they—the same individual came back to me and said, "Yes, we can." Took a while. I don't know when this was. It was either late 1985 or early 1986 when he said, "Yes, we can do it," and another million.

Mr. **Belnick**. This was the same official of Country Three?

Mr. **Sigur**. Same official.

Mr. **Belnick**. Whom you met the first time.

Mr. **Sigur**. Yes, but you understand, he was always going back. He wasn't——

Mr. **Belnick**. He was going back to his government for the final say.

Mr. **Sigur**. Right.

Mr. **Belnick**. OK.

And he told you in response to your request that his government was prepared to contribute another million dollars to the Contras.

Mr. **Sigur**. Yes.

Mr. **Belnick**. All right.

Did you subsequently learn from that official whether Country Three did send another million dollars?

Mr. **Sigur**. He said he had, and so did Colonel North say that they had.

Mr. **Belnick**. Both confirmed to you?

Mr. **Sigur**. Both confirmed, yes.

Mr. **Belnick**. That is, the additional million dollars had been sent.

Mr. **Sigur**. Yes.

Mr. **Belnick**. Did you speak to Mr. McFarlane about this second solicitation?

Mr. **Sigur**. No, I did not.

Mr. **Belnick**. Again, you believe that Colonel North was acting for him at the time.

Mr. **Sigur**. Absolutely. I never had a question about that.

Mr. **Belnick**. Following that second solicitation of Country Number Three, Dr. Sigur, did you ever go back again to that country and ask for money or other help for the Contras?

Mr. **Sigur**. Never.

Mr. **Belnick**. So, would you take a look, I believe, in the book in front of you at exhibit no. 2. exhibit no. 2 is a PROF note, April 1986, from Oliver North, and if you look in the second paragraph it states—and I will read it—this is Colonel North speaking,

> There is great despair that we may fail in this effort, and the resistance support account is darn near broke. Any thought where we can put our hands on a quick three to five million? Gaston is going back to his friends, who have given $2 million so far, in hopes that we can bridge things again, but time is running out.

Do you see what I have read there?

Mr. **Sigur**. I have it, yes.

Mr. **Belnick**. Does that change your recollection at all?

Mr. **Sigur**. No, it does not. I don't recall anything of that kind. I don't recall any conversation of that sort with Colonel North and I certainly did not ever return—I never talked to him again about it.

Mr. **Belnick**. Your last conversations about soliciting aid from them were in the fall of 1985 with Country Number Three.

Mr. **Sigur**. That is right.

Mr. **Belnick**. Moving to another subject, did there come a time also in the summer of 1985 that Colonel North asked you if you could introduce him to an official of another Asian country which we will refer to as Country Number Five, so that he could talk about needs in Central America?

Mr. **Sigur**. Yes. I don't know whether it was specifically needs. He said something about discussing with him the situation in Central America, as I recall it. It was a broad kind of a comment.

Mr. **Belnick**. He asked you to set up a meeting with an official of Country Five for that purpose?

Mr. **Sigur**. Not necessarily. He asked me if I would give him the name of someone he could talk to and I suppose introduce him to the idea, yes.

Mr. **Belnick**. What did you do?

Mr. **Sigur**. I did call an individual and gave him the name and I called the man.

Mr. **Belnick**. Pardon me. This individual was an official of Country Number Five?

Mr. **Sigur**. Country Number Five, that is right, and I knew him and I had talked with him on several occasions and he came by to see me in my office at the NSC and I told Colonel North that he was coming and so that he could maybe drop by and be introduced to him, I would introduce him and so forth.

He didn't do so, though, and I gave him the telephone number of this individual from Country Number Five and gave the individual from Country Number Five, Colonel North's telephone number. I have no idea whether they got together. Neither one of them spoke to me about it again.

Mr. **Belnick**. You received no report back?

Mr. **Sigur**. I received no report back.

Mr. **Belnick**. Did you ever receive a report whether Country Five made any contribution to the Contras of any kind?

Mr. **Sigur**. No.

Mr. **Belnick**. So you don't know one way or the other?

Mr. **Sigur**. No.

Mr. **Belnick**. Dr. Sigur, did there also come a time that Colonel North asked you to introduce him to a military representative of yet another nation which we are referring to a Country Number Four?

Mr. **Sigur**. Yes. This was earlier. This was in 1984, in November of 1984.

Mr. **Belnick**. And what specifically, as you recall it, did Colonel North ask you?

Mr. **Sigur**. If I would introduce him to an individual, to this individual, and said again that he wanted to talk to him generally about the situation in Central America and the Contras, that was part of it.

Mr. **Belnick**. Including the Contras?

Mr. **Sigur**. Yes.

Mr. **Belnick**. And their needs——

Mr. **Sigur**. He didn't specifically say that, but he wanted to talk.

Mr. **Belnick**. Did he ask specifically to have a meeting with this military representative?

Mr. **Sigur**. Yes, he did.

Mr. **Belnick**. And asked you to set up that meeting?

Mr. **Sigur**. Yes, since he knew I knew him.

Mr. **Belnick**. And you set up this meeting at the Cosmos Club in Washington?

Mr. **Sigur**. Yes.

Mr. **Belnick**. A luncheon?

Mr. **Sigur**. Yes.

Mr. **Belnick**. November 1984?

Mr. **Sigur**. Yes.

Mr. **Belnick**. You were there?

Mr. **Sigur**. I was there.

Mr. **Belnick**. Colonel North?

Mr. **Sigur**. And this individual.

Mr. BELNICK. And the military representative of Country Number Four?

Mr. SIGUR. Yes.

Mr. BELNICK. Can you tell us, as best you can recall it, the discussion at that lunch?

Mr. SIGUR. As best I recall it, it was somewhat general and I did not participate in the conversation. They talked about the situation there——

Mr. BELNICK. The situation where, sir?

Mr. SIGUR. In Central America, talked about the Soviet Union and the goals of the Soviet Union in the region and what they were trying to do and that this was detrimental not only to American interests, but detrimental to the global interests of many people who were concerned about the activities of the Soviet Union and the aggressiveness and what the Soviets were up to.

It seemed to be an understanding between them on this. Then somehow they moved into the issue of the possibility of arms sales by this particular country, Number Four, I guess, by this particular country to countries in Central America or not excluding the Contras necessarily, I don't mean to exclude that because I think that was part of it, but again it was somewhat general as I remember the conversation. I do not remember anything which was particularly specific about it.

Mr. BELNICK. But as you have told us before, you thought that a thrust of the conversation, as you observed it, was Colonel North talking about or asking for arms that would somehow be provided for the benefit of the Contras.

Mr. SIGUR. For the benefit of, but not necessarily to. It was to benefit their situation. I don't know what that meant. I mean, this was somewhat vague in that sense to me, as I remember it.

Mr. BELNICK. Sir, would you look at exhibit no. 1, which is in your book, and that is a memorandum dated December 4, 1984, from Colonel North to Mr. McFarlane.

I have discussed this memorandum with you before today, correct?

Mr. SIGUR. Yes, you have.

Mr. BELNICK. But prior to that you had not seen the memorandum, correct?

Mr. SIGUR. I had not seen the memorandum, no.

Mr. BELNICK. This memorandum purports to record the discussion at the luncheon that you set up on November 28, 1984.

Mr. SIGUR. Yes.

Mr. BELNICK. Having read the memorandum and had a chance to review it, do you recall any of the discussion that is recited in this memorandum about Canadian arms transactions and so forth?

Mr. SIGUR. No, I don't recall that at all.

I have to say that I was not sitting at that table all the time. I did go out for 5 or 10 minutes at the most and, when we left, the three of us together, I sort of took off and I think the two of them seemed to stay perhaps and do some talking. So it is possible that these things were discussed, but not in my presence.

Mr. BELNICK. But arms had been discussed while you were there?

Mr. SIGUR. Yes.

Mr. BELNICK. And, in fact, that troubled you as you were leaving?

Mr. SIGUR. I said to Colonel North, look again, you are sure this is legal? He said, absolutely, I wouldn't do anything that wasn't legal.

Mr. BELNICK. Did he say anything more about what he based that legal opinion on or where he got it?

Mr. SIGUR. Not this time, and I didn't ask him that. I had no reason to question that.

Mr. BELNICK. Doctor, did you speak to anyone at the State Department about this lunch with an official of Country Number Four?

Mr. SIGUR. No, I did not.

Mr. BELNICK. Before or after it was set up?

Mr. SIGUR. Neither before or after, as I recall.

Mr. BELNICK. And the same with respect to Country Number Five?

Mr. SIGUR. The same.

Mr. BELNICK. Was your reason the same as in the instance of Country Number Three, that you assumed this was authorized by the National Security Adviser?

Mr. SIGUR. I assumed if it was authorized by the National Security Adviser—or it would have been something that was generally accepted. I had no reason to doubt that, in my view.

Mr. BELNICK. Did you hear any reports subsequent to your lunch on November 28, 1984, from Colonel North or from the representative of the country as to what, if anything, came out of that luncheon?

Mr. SIGUR. I don't recall that.

Mr. BELNICK. Apart from what we have discussed this afternoon involving those three countries, were you asked to solicit any other countries or persons for aid to the Contras—you personally?

Mr. SIGUR. Me personally, no, not to the best of my recollection, I was not personally asked.

Mr. BELNICK. Were you aware of anyone else asked to do that while you were on the staff of the National Security Council?

Mr. SIGUR. No, I don't know of that.

Mr. BELNICK. Thank you, Mr. Sigur.

No further questions.

Chairman HAMILTON. Are there further questions by counsel?

Mr. EGGLESTON. Mr. Chairman, I have no questions of this witness.

Chairman HAMILTON. We turn, then, to the principal questioners, Senators Nunn and Cohen and Representatives Courter and Jenkins.

Senator Nunn.

Mr. NUNN. Dr. Sigur, I have a couple of questions here. You have listed a number of occasions where what Colonel North put in his memorandums were not accurate as far as your recollection, is that right?

Mr. SIGUR. That is correct.

Mr. NUNN. Would you go so far as to say there were a number of instances where they were false?

Mr. SIGUR. No, I can't say that. All I can say on the one where he indicated that I was making another approach, which would indicate that he talked to me, I don't have any recollection of a conversation with him about that. All I can say is I did nothing, and I just don't remember that at all.

Secondly, I mean on the other one, as I say, it is possible that the conversation that he reports took place when I was not present. I can't—I simply say I wasn't there when that happened.

Mr. NUNN. You are saying, though, that North assured you that it was legal, that he had checked the legality?

Mr. SIGUR. Yes.

Mr. NUNN. Do you think——

Mr. SIGUR. I was talking about the sale of arms.

Mr. NUNN. Do you think that that was accurate when he told you that?

Mr. SIGUR. I assumed so. I had no reason to question that.

Mr. NUNN. Do you now think it was accurate?

Mr. SIGUR. I really don't know. I don't know enough about that to be able to make a judgment on that, Senator.

Mr. NUNN. We have had testimony from Mr. McFarlane that he had not given approval for this approach by North, and I understand that North told you that he had been given approval?

Mr. SIGUR. For Country Number Three?

Mr. NUNN. Yes.

Mr. SIGUR. Yes, that is what he said.

Mr. NUNN. He said that he had been given approval by Mr. McFarlane?

Mr. SIGUR. Yes.

Mr. NUNN. Did you hear Mr. McFarlane's testimony where he said that that had not been done?

Mr. SIGUR. No.

Mr. NUNN. Are there things that Colonel North told you that you now believe were not accurate?

Mr. SIGUR. I had no reason to doubt him at the time.

Mr. NUNN. I am not saying at the time.

Mr. SIGUR. I don't know that I can doubt him now. I am not sure that I can question him.

Mr. NUNN. He says you were present during the entire luncheon at the Cosmos Club.

Mr. SIGUR. He made a mistake there, because I left part of the time, so that was a mistake on his part.

Mr. NUNN. In the memo, Colonel North says one of the central purposes of the discussion was something you don't recall?

Mr. SIGUR. Nor the specifics of it, as I say. He talked about the sale of arms, but in a general sense, he never got down to the specifics that are outlined in the memo when I was there.

Mr. NUNN. My bottom line is, do you believe Colonel North, would you believe him under oath?

Mr. SIGUR. I have no reason to question his honestly and integrity.

Mr. NUNN. But you disagree with most of what he wrote in these memos?

Mr. SIGUR. I disagree with the slant taken certainly on one, and as far as I can recall on the other one, I have no memory of talking to him at all about Country Three.

Mr. NUNN. So, would you believe him today?

Mr. SIGUR. I have always regarded him as a man of honesty and integrity. I have no reason to question that; none whatsoever. Maybe he looked at it in a different manner.

Mr. NUNN. You are saying he may have been mistaken or you are mistaken?

Mr. SIGUR. Yes.

Mr. NUNN. Is it possible you are mistaken?

Mr. SIGUR. I don't think so.

Mr. NUNN. You think he is mistaken?

Mr. SIGUR. Sure. This is not my memory of it.

Mr. NUNN. But you would believe everything he said if he told you today?

Mr. SIGUR. You are pinning me down pretty hard, Senator.

Mr. NUNN. Yes, sir. We have to decide on the veracity of witnesses before this panel, your veracity; his veracity, if he appears. One of the key things is who do we believe?

Mr. SIGUR. I understand that.

Mr. NUNN. In these areas where you have fundamental disagreements with what he wrote, assuming he continues that reasoning, should we believe his memory is more accurate, or yours?

Mr. SIGUR. I would hope that you would believe me, because I am telling it the way I remember it.

Mr. NUNN. You are telling us the truth?

Mr. SIGUR. Yes, sir.

Mr. NUNN. In the meetings with the various countries' representatives, was there any discussion that took place as to the limitation on what these funds would be used for? Did you ever hear anyone say—

Mr. SIGUR. There was only one in that sense in Country Number Three where there was any talk about funds.

Mr. NUNN. Did you ever hear anyone say when they were soliciting these contributions that they would be used only for certain purposes, or did they have any kind of limitation on the purposes for which they would be used?

Mr. SIGUR. Conversations I had with a representative of Country Number Three, there was no question he and I both were talking about humanitarian assistance.

Mr. NUNN. When you say there was no question, was that because somebody said that, or is that just because that is what you were thinking?

Mr. SIGUR. That is what he said.

Mr. NUNN. Colonel North said that?

Mr. SIGUR. He said that to me earlier before I saw them.

Mr. NUNN. To you?

Mr. SIGUR. Yes.

Mr. NUNN. For humanitarian purposes?

Mr. SIGUR. That is right. Yes, he did.

Mr. NUNN. Did he say that to the representatives of any of the countries?

Mr. **Sigur**. I can't tell you that. I don't know. In that particular case, I was not in on his conversation with him.

Mr. **Nunn**. If he said it was humanitarian only, why did you ask him if it was legal?

Mr. **Sigur**. Well, I didn't know whether this assistance was legal or not. It was a question that came to me because I knew there had been a number of things acted upon by Congress, and I wasn't aware of what these things were, and that is why I asked him.

Mr. **Nunn**. Mr. McFarlane testified that he had instructed his staff as to the legality and being careful about the Boland amendment. Do you recall that?

Mr. **Sigur**. No.

Mr. **Nunn**. How long were you there under Mr. McFarlane?

Mr. **Sigur**. I was there as a consultant all of his time, from October 1984 until March of 1986, so during his life. He didn't leave until December 1985.

Mr. **Nunn**. Were you there with Admiral Poindexter?

Mr. **Sigur**. Briefly.

Mr. **Nunn**. How long?

Mr. **Sigur**. Two months.

Mr. **Nunn**. Did anyone every discuss the legality of the Boland amendment or being careful?

Mr. **Sigur**. I don't ever recall that.

Mr. **Nunn**. Would you recall it had it occurred?

Mr. **Sigur**. I would think so, but it depends, I suppose, on what context. But I think I would probably recall something about it, but I don't remember. I didn't attend all these staff meetings.

It is possible it was brought up there, I can't say, but I don't remember.

Mr. **Nunn**. The only legality question you remember is whether you asked Colonel North on whether he had checked on the legality of this solicitation of a foreign government?

Mr. **Sigur**. That is correct.

Mr. **Nunn**. That is all the questions I have.

Chairman **Hamilton**. Representative Jenkins?

Mr. **Jenkins**. Thank you, Mr. Chairman.

Would you briefly describe your general duties there at NSC?

Mr. **Sigur**. Well, Mr. Congressman, as I said, I was responsible really for what the NSC input was for our policy in East Asia, and the Pacific area. It was very broad in nature and, of course, concerned topics that would generally be considered to be national security oriented, and it covered a wealth of considerations and so forth.

Mr. **Jenkins**. It covered all security questions?

Mr. **Sigur**. Yes—well, a lot.

Mr. **Jenkins**. Did it cover some trade issues?

Mr. **Sigur**. Oh, yes. Trade issues were included as well. I spent a lot of time on the trade question.

Mr. **Jenkins**. With the Far East?

Mr. **Sigur**. Indeed. You can imagine, I think.

Mr. **Jenkins**. That was a rather hot subject back then——

Mr. **Sigur**. That was hot all the time I was there and remains so, as you know.

Mr. **Jenkins**. Back in 1984 and 1985?

Mr. **Sigur**. Oh, yes.

Mr. **Jenkins**. And into '86. As a matter of fact, even today?

Mr. **Sigur**. And even today, indeed.

Mr. **Jenkins**. You discussed these trade areas with representatives of all of these countries that were under your general supervision?

Mr. **Sigur**. Yes, I did.

Mr. **Jenkins**. And I would assume you discussed these areas with the very representatives that you introduced?

Mr. **Sigur**. Oh, yes.

Mr. **Jenkins**. Colonel North too?

Mr. **Sigur**. Well, particularly—well, with that country—Number Three—not with the other two, in the sense that the representatives were different.

Mr. **Jenkins**. Were you on almost a weekly or a daily contact with most of these countries involving these critical areas?

Mr. **Sigur**. Well, I wouldn't say daily, Mr. Congressman. No, I wouldn't say that. I would be—again it would depend on the issues and so forth. I think most of the time I would say that, as I think you can understand, in terms of the situation given those years, most of the time was spent on Japan as far as the trade question was concerned. Not that much in terms of the others. In fact, very little, because they were not particularly savory issues at that time that I saw as warranting my particular attention, so I didn't do it.

Mr. **Jenkins**. In 1985?

Mr. **Sigur**. In 1984 and 1985, yes, I would say.

Mr. **Jenkins**. You seem to have some concern, obviously, that there may have been something possibly illegal about setting up these meetings for solicitation of funds, is that correct?

Mr. **Sigur**. Yes, I really think that way. I just, as I say, it was in my mind—I mean, I never thought that there would be any question really of illegality involving any one of my colleagues. I never thought that. I never believed that to be the case. I was simply—I was aware of the fact that certain things had been done. I was aware of the Boland amendment and so forth, but I didn't really know the ins and outs of them, and I just sort of threw the question out, in a sense. It was pro forma in some ways. I wasn't questioning, I didn't mean to question. That was not my intent.

Mr. **Jenkins**. And you only asked Colonel North——

Mr. **Sigur**. That is all. Well, I figured he was the one who knew. That was his bailiwick and I knew little about Central America, still don't know that much about it—I was not involved, and I had enough on my plate in terms of Asia and the Pacific, and I really didn't pay that much attention.

Mr. **Jenkins**. At any rate, you did not discuss it with Mr. McFarlane?

Mr. **Sigur**. No, I did not.

Mr. **Jenkins**. Given your many years of experience in the field of international diplomacy, Dr. Sigur, did you consider the long term effect of such solicitation on our relations with these countries in your area, what those countries could expect in the future as a quid pro quo for having supported this initiative of ours, and how this might possibly distort the normal course of bilateral relations?

Mr. **Sigur**. I never saw it that way, Mr. Jenkins. I saw it, in terms of the—of the countries involved or the country, really, in terms of the question of financial support—I saw no quid pro quo there at all.

As far as I was concerned, our relations there are pretty well set in terms of the law and the way in which we conduct those relations, and I never thought in those terms.

I never saw that as being of any particular significance.

Mr. **Jenkins**. When you took Colonel North to meet the representative of Country Three, I guess——

Mr. **Sigur**. Yes.

Mr. **Jenkins**. —how long did that meeting last, approximately?

Mr. **Sigur**. Between him and the other——

Mr. **Jenkins**. Did you stay there——

Mr. **Sigur**. I did not stay there at all. I left, so I have no idea. Not Country Three.

Mr. **Jenkins**. What about with Country Five?

Mr. **Sigur**. No, there was no meeting as far as I know.

Mr. **Jenkins**. What about the other country, I guess, designated as Four?

Mr. **Sigur**. I sat at that luncheon through some of the time. I think the luncheon probably lasted about an hour. It was not particularly lengthy, as I remember.

Mr. **Jenkins**. Were there discussions during that hour of other areas of mutual interest between that country and——

Mr. **Sigur**. No.

Mr. **Jenkins**. Our nation?

Mr. **Sigur**. No. It was entirely on the subject of Central America.

Mr. **Jenkins**. There were no questions asked when you contacted either the representative of Country Five or Three or Four—there were no questions from those representatives of you about any matters of interest that they may have?

Mr. **Sigur**. No, I don't remember that. Nothing of that kind.

Mr. **Jenkins**. You do not recall any discussion of any other matter besides——

Mr. **Sigur**. No.

Mr. **Jenkins**. Financial support——

Mr. **Sigur**. That is right.

Mr. **Jenkins**. And the procurement of weapons as far as Number Five?

Mr. **Sigur**. Sale of weapons, as I understood it, yes, sir.

Mr. **Jenkins**. Could you tell us if it is customary for the United States to seek support, based upon your experience, for foreign policy initiatives from other countries by soliciting secret or covert contributions of funds or materials from—as happened in this case?

Mr. **Sigur**. No, I don't know of other cases, Mr. Congressman.

Mr. **Jenkins**. It is an unusual situation, isn't it?

Mr. **Sigur**. Yes. Of course, that is the way it was described to me, as an extremely unusual and extremely difficult situation.

Mr. **Jenkins**. Well, as a matter of fact, I would assume that there was a great discussion around the National Security Council, the staff, that we were not prohibited from providing support, so we had to look elsewhere; is that correct?

Mr. **Sigur**. Well, that was certainly—yes, that was certainly discussed.

As I say, I was—I had plenty of things on my plate in Asia, and I didn't get particularly involved in this sort of discussion, but clearly that was—oh, sure, it was around, but I don't—I don't—I can't pinpoint any of that, Mr. Congressman.

Mr. **Jenkins**. What took up most of your time in dealing with Asia during this time, trade?

Mr. **Sigur**. Well, it was trade, but not only trade. I would say all kinds of things, our relationship in military terms, security terms, defense relationships with specific countries.

Of course, during this particular time, as we moved into 1985, I was much involved and spent a great deal of my time on the Philippines. This, as you know, was a very difficult situation, and I would say that was predominant in terms of much of 1985.

Mr. **Jenkins**. Since these three or four occasions, these three countries, have you been asked to set up any other appointments for Colonel North or for Admiral Poindexter?

Mr. **Sigur**. No, I don't think so. I can't recall that. Mr. Congressman, of any other countries. No, I don't think so.

Mr. **Jenkins**. Thank you, Dr. Sigur.

Mr. **Sigur**. Thank you, sir.

Chairman **Hamilton**. Senator Cohen.

Mr. **Cohen**. Thank you, Mr. Chairman.

Dr. Sigur, when you first contacted this ambassador or spokesman for Country Number Three, how did you make that contact?

Mr. **Sigur**. I think I called him on the telephone.

Mr. **Cohen**. Open line?

Mr. **Sigur**. Yes.

Mr. **Cohen**. No need to be secure?

Mr. **Sigur**. It didn't seem to me—I can't remember what I said to him. I said I wanted to sit down and talk to him about something.

Mr. **Cohen**. So, you just called on the phone and said, Mr. "X", you and I are close friends?

Mr. **Sigur**. We saw each other quite often.

Mr. **Cohen**. Quite frequently, did you not?

Mr. **Sigur**. I would say so, yes, as I do with all in the region.

Mr. **Cohen**. In fact, that is why you were called by Oliver North?

Mr. **Sigur**. Oh, sure.

Mr. **Cohen**. Because he knew that you knew that individual?

Mr. **Sigur**. Yes.

Mr. **Cohen**. So you called Mr. "X" and said, let's have breakfast or lunch?

Mr. **Sigur**. I had breakfast. I think it was breakfast, if I have my dates straight on this—I think it was breakfast.

Mr. **Cohen**. And as you sat down for coffee and breakfast, you said what, again?

Mr. **Sigur**. I think I began to talk to him about the Central American situation.

Mr. **Cohen**. Exactly what did you say to him?

Mr. **Sigur**. I can't recall exactly, but I talked to him about the fact that I had spoken with Colonel North, I wondered if he knew him, and he said no. And I said he handles Central America for the NSC, and I said that I was talking to him on behalf of Colonel

North and Mr. McFarlane, and to describe to him the difficult situation in Central America and Nicaragua.

And he went on and this is the way we moved into it.

Mr. COHEN. Tell me what happened as you moved into it.

Mr. SIGUR. Then I talked to him about the needs of the country——

Mr. COHEN. That is not your area——

Mr. SIGUR. Of the Contras.

Mr. COHEN. That is not your area of responsibility?

Mr. SIGUR. No.

I told him this was what Colonel North had talked to me about and said to him that they needed—according to North—that they needed humanitarian assistance, that they were short on all sort of things, and he heard me out and listened to me, and that is when he went on to say——

Mr. COHEN. I am sorry, he said what, sir?

Mr. SIGUR. I said that they needed humanitarian assistance, is what I said.

Mr. COHEN. Right. You mean money initially?

Mr. SIGUR. Money, yes. Money, money for them. Indeed.

Mr. COHEN. Right.

Mr. SIGUR. And then he went on to—it was not a lengthy breakfast. It was very short.

Mr. COHEN. Just tell me what he said.

Mr. SIGUR. Then he said that he didn't know much about this, he would have to get back to his home government. He gave me to understand, I thought that somehow there had been some kind of reference made to this which would fit in, as I said, with what North had said to me about he and McFarlane understood that they might have an interest, and that he felt he would have to get back, but he felt that the only way that any funds could be made available would be through the U.S. Government.

And that is the way we left it, and I left and I said I would report that back.

Mr. COHEN. So you said that the Contras were in desperate need of assistance, humanitarian assistance?

Mr. SIGUR. Yes, that was my understanding.

Mr. COHEN. And that they needed help?

Mr. SIGUR. That's right.

Mr. COHEN. Then you said, it is my understanding from talking with Colonel North, who reports to Bud McFarlane, that your country is interested in making a donation to the cause?

Mr. SIGUR. Might have an interest, something like that.

Mr. COHEN. Might have an interest.

Mr. SIGUR. Something like that, yes.

Mr. COHEN. Did you think that you were, in fact, helping to solicit assistance for the Contras?

Mr. SIGUR. I never particularly thought of it one way or the other, but I guess that's right. I mean, I just never—I never thought of it particularly.

Mr. COHEN. You wouldn't disagree with that characterization that the purpose that you were serving in the direction of North was to go help solicit assistance from this country, from this representative that you do business with on a frequent basis?

Mr. SIGUR. To see whether there was some possibility, yes.

Mr. COHEN. As a matter of fact, in your experience you have not known this country to go around and sort of offer charitable donations to causes in other parts of the world?

Mr. SIGUR. Not to my knowledge, no, Senator.

Mr. COHEN. That would not have been your experience?

Mr. SIGUR. That would not have been my experience.

Mr. COHEN. When you went back and reported to Bud McFarlane that, in fact, you had word that they were interested in contributing the $1 million—

Mr. SIGUR. Well, $1 million was not the figure at that time.

Mr. COHEN. That they were willing to contribute?

Mr. SIGUR. This man couldn't respond that way. He is not a policy man and he had to go back there, so there was no way—I didn't put it that positively.

Mr. COHEN. OK.

Mr. SIGUR. I put it that his response was that he thought that the only way would be to provide money to the U.S. Government.

Mr. COHEN. You told that to Bud McFarlane later?

Mr. SIGUR. Yes.

Mr. COHEN. And he came back to you and said, in essence, it can't be done through the U.S. Government?

Mr. SIGUR. That's right.

Mr. COHEN. Did he add it has to be done through the Contras?

Mr. SIGUR. I can't exactly say what he said specifically, but I—that was my indication. But I am not sure exactly.

Mr. COHEN. What else did he say?

Mr. SIGUR. I don't know there is much else he would say. That's right.

Mr. COHEN. You did not notify anyone else in the State Department?

Mr. SIGUR. No.

Mr. COHEN. You deal with them on a daily basis, do you not?

Mr. SIGUR. Yes, I did when I was over there, yes. Pretty much on a daily basis. But I didn't talk about this, no.

Mr. COHEN. I assume you felt that either North or McFarlane or Admiral Poindexter did the reporting?

Mr. SIGUR. Sure, I assumed that that was done, yes.

Mr. COHEN. Do you know whether or not any other staffers were approached by Colonel North to perform the same kind of assistance?

Mr. SIGUR. Not to my knowledge, Senator. I have no knowledge of it.

Mr. COHEN. That never came to your attention?

Mr. SIGUR. Never came to my attention.

Mr. COHEN. No shop talk within the NSC?

Mr. SIGUR. Not with me.

Mr. COHEN. You don't engage in shop talk?

Mr. SIGUR. I engage in shop talk, but you have to remember also I was a consultant at this time and I wasn't spending that much time there.

Mr. COHEN. You were there on a limited basis?

Mr. SIGUR. Yes, very limited.

Mr. COHEN. In fact, you were a scholar, not a professional bureaucrat as such?

Mr. SIGUR. I guess that's the way to put it, yes.

Mr. COHEN. I am curious, Dr. Sigur, we have two exhibits that have been referred to this afternoon——

Mr. SIGUR. Yes.

Mr. COHEN. Both of which were written by Colonel North.

Mr. SIGUR. Yes.

Mr. COHEN. And you have indicated that you have very high regard for his honesty.

Mr. SIGUR. Yes.

Mr. COHEN. You never suspected or had reason to believe that he would mislead you?

Mr. SIGUR. No.

Mr. COHEN. Or say anything false about you?

Mr. SIGUR. I have no reason to believe that.

Mr. COHEN. And yet one of the memos indicates that you were asked to go back a third time to Country Number Three.

Mr. SIGUR. That's right.

Mr. COHEN. And that's wrong.

Mr. SIGUR. Well, let me put it this way, Senator. I have no recollection of that at all. Of course, you understand I was in the State Department at that time. I had already moved away from there. I don't know whether he thought that he had said something to me, but I never went back. I never talked to anyone about it. I just have no recollection of that whatsoever.

Mr. COHEN. Well, could it be true?

Mr. SIGUR. I suppose he could have said something in which he thought he was saying something like that to me, but I don't remember that.

Mr. COHEN. All right.

Mr. SIGUR. It just doesn't ring a bell at all.

Mr. COHEN. The second exhibit we have is a memo with you meeting at the Cosmos Club?

Mr. SIGUR. Yes.

Mr. COHEN. And you said you were present throughout?

Mr. SIGUR. Well, I was not, but—because he made a mistake there, I guess. He could easily—I mean, I left for about five or ten minutes.

Mr. COHEN. You left about 5 or 10 minutes out of a total meeting of an hour or so?

Mr. SIGUR. About an hour, I would say.

Mr. COHEN. During the course of that hour or so, you were at least a listener, if not a participant in the conversation?

Mr. SIGUR. Yes, I was a listener. I did not participate but I listened.

Mr. COHEN. Pretty important discussion carried on that day, wasn't there?

Mr. SIGUR. Well, I thought it was. In the sense of the whole—a lot of the discussion took place generally about the situation in that part of the world and Soviet goals and aims and so forth. These things were discussed at some length, as I remember it, and then——

Mr. COHEN. Wasn't a question raised about whether this country would be interested in purchasing arms from another country and shipping them to the Contras?

Mr. SIGUR. I don't recall that at all.

Mr. COHEN. You don't recall that at all?

Mr. SIGUR. I do not recall that.

Mr. COHEN. Do you recall any concern being raised about the falsification of end-user certificates?

Mr. SIGUR. No, I do not. I don't think that took place while I was there.

Mr. COHEN. Could that have taken place in that 25-minute period of time when you were not there?

Mr. SIGUR. It could have, or it could have taken place afterwards, when they were still in the club, but——

Mr. COHEN. You left?

Mr. SIGUR. I left. We walked out together and I left, and when I left they were standing there talking. I don't know what finally happened. I assumed it was just a brief talk, you know what I mean—2-3 minutes. I have no idea what——

Mr. COHEN. If any discussion ever took place about end user certificates you were not aware of it?

Mr. SIGUR. I was not aware of it, no, Senator.

Mr. COHEN. Why did you stay at the first breakfast meeting with Country Three, when you had set up this meeting with Colonel North, who said wait a minute, let me deal with this individual, how about an introduction, Dr. Sigur, right? Why did you stay for breakfast that time?

Mr. SIGUR. With North?

Mr. COHEN. Yes.

Mr. SIGUR. Oh, I did not.

Mr. COHEN. Why didn't you?

Mr. SIGUR. Why didn't I?

Mr. COHEN. Right.

Mr. SIGUR. I think I had something else to do. I can't remember. I don't think it was anything specific in it. I brought him over. I believe I had another appointment, and I introduced him and I left.

Mr. COHEN. This wasn't a case of Colonel North telling you that we have some private matters we want to discuss?

Mr. SIGUR. I don't remember that. I don't think so.

Mr. COHEN. That wasn't it?

Mr. SIGUR. He may have said to me there is no need for you to take part in this discussion. I don't remember. It is conceivable but——

Mr. COHEN. You knew what was going to take place at that discussion?

Mr. SIGUR. Well, I knew what he said that he thought he was going to say. My understanding was something about getting some of their people into contact with the Contra leadership. That is all I knew.

Mr. COHEN. You knew he was going to have a discussion as to how this Country Three could in fact arrange a contribution directly to the Contras?

Mr. SIGUR. That was my—well, that certainly was my understanding, yes.

Mr. COHEN. So you don't have any question, Dr. Sigur, that this constituted a solicitation not only on your part, but Ollie North's? We have been dancing around this issue.

Mr. SIGUR. Sure, no question. Yes, I guess so.

Mr. COHEN. That in fact was the purpose.

Let me turn your attention, if I can, to a trip you made with the Secretary during which a question was raised about another solicitation of funds.

Mr. SIGUR. Yes.

Mr. COHEN. As I understand it, you sort of cautioned against such a solicitation during that particular trip, did you not?

Mr. SIGUR. I wouldn't put it quite like that. What I——

Mr. COHEN. Why don't you put it real candidly then?

Mr. SIGUR. I will put it candidly. What we talked about was the way to approach this particular country and my suggesting was that we do it in accordance with the thinking of the American Ambassador there, who understood the situation better than we did perhaps, and that——

Mr. COHEN. Why did he understand it better than you?

Mr. SIGUR. Well, he lived there and he knew the cast of characters a lot better than I did, or anyone else, so it was just, seemed to me that that was the way to approach it. And so that is the way it was handled.

Mr. COHEN. Now, did the Secretary have a bank account number given to him by Lt. Col. North?

Mr. SIGUR. Oh, I don't believe so. The Secretary himself?

Mr. COHEN. Yes.

Mr. SIGUR. No, not to my knowledge.

Mr. COHEN. You don't recall whether he was given a bank account number?

Mr. SIGUR. Oh, no, I don't think so. Not himself, no.

Mr. COHEN. Did you take that opportunity, during the course of that discussion on the long trip over to talk about Colonel North's activities with respect to raising funds for the Contras?

Mr. SIGUR. No, I did not.

Mr. COHEN. Did the Secretary appear to be unaware that others were being requested to raise money, was this the first time, to your knowledge, he actually was going to participate in the solicitation of funds?

Mr. SIGUR. Well, again, it is the first time that I had even spoken to him about this. As I say, on the whole question of what was done previously, in some of the countries that you mentioned, and that I was involved in, I mean, my assumption was that at the top levels of our government this was known and this was decided. So—but that is all. There was never any discussion between him and me on it.

Mr. COHEN. Just so the record is clear on this, this was during 1986 was it not?

Mr. SIGUR. That is right.

Mr. COHEN. At a time when such a solicitation for humanitarian assistance would be acceptable?

Mr. SIGUR. Well, I guess that is right. I mean, I assume so. As I say, I didn't question the legality of this.

Mr. COHEN. I think that is all I have.

Chairman HAMILTON. Mr. Courter.

Mr. COURTER. Thank you, Mr. Chairman.

Good afternoon, Mr. Sigur, it is a pleasure seeing you here, thank you for coming.

Mr. SIGUR. Thank you.

Mr. COURTER. You indicated in one of your answers to questions that came just a few moments ago that you were uneasy about the fact that you were either soliciting or talking to countries with regard to their sending humanitarian aid or other types of aid to Central America; is that correct?

Mr. SIGUR. Well, I wouldn't say I was uneasy. I was saying I just wanted to get it straight that it was OK. That is all. I wasn't really uneasy in that sense.

Mr. COURTER. You were deposed by one of the counsels to this committee.

Mr. SIGUR. Yes.

Mr. COURTER. And without—I will show it to you if you have to see it, but without showing you your full testimony, it is my understanding upon being pressed on that point, that you indicated that you were uneasy about it, because of the country, Country Number Three, not because you were approaching anybody with respect to soliciting money.

Mr. SIGUR. I don't recall——

Mr. COURTER. Should I show you that?

Mr. SIGUR. Would you? Yes, if you would do that.

Mr. COURTER. All right.

Mr. SIGUR. That would help me.

Mr. COURTER. Just read that to yourself, please.

Mr. SIGUR. The point was here, providing the funds directly through the U.S. Government. It seemed to me, given this kind of a situation——

Mr. COURTER. You were quizzical, you were concerned.

Mr. SIGUR. I was quizzical about it.

Mr. COURTER. Because of the third country and not because of the request.

Mr. SIGUR. That is right.

Mr. COURTER. That is correct?

Mr. SIGUR. That is right.

Mr. COURTER. I want to make that clear.

Mr. SIGUR. That is correct.

Mr. COURTER. My understanding of your answer to a prior question was you were concerned about dealing with any country?

Mr. SIGUR. Not, not specifically.

Mr. COURTER. And you were concerned with respect to the individual country?

Mr. SIGUR. No, that is correct. You are right.

Mr. COURTER. Thank you.

Mr. SIGUR. You are right about that, Mr. Congressman, you are right.

Mr. COURTER. Mr. Sigur, you indicated in response to another question that you had never—it was unusual, you had never heard of an arrangement whereby another country, a third country, would assist the United States covertly.

Mr. SIGUR. Well, all I can say is to my own knowledge, I didn't have that kind of information. I mean, obviously we worked with other countries, there is no question about that.

Mr. COURTER. Would it surprise you if you found out that lots of countries are helping in U.S. foreign policy?

Mr. SIGUR. No, no, I think lots of countries do help in our foreign policy.

Mr. COURTER. Are you happy that they do?

Mr. SIGUR. Oh, indeed.

Mr. COURTER. So, it is not unusual that they help out in a cover manner?

Mr. SIGUR. No, it is not unusual, as I say, but I have no specific concrete knowledge of something of this kind.

Mr. COURTER. You have probably read press reports where countries have been assisting the Mujahaddin in Afghanistan.

Mr. SIGUR. Yes.

Mr. COURTER. And they may be doing so upon the request of the United States?

Mr. SIGUR. Yes. That is possible.

Mr. COURTER. They may be doing so as well not only because of that request, but because they think it is the proper and just thing to do.

Mr. SIGUR. Yes, indeed, they might.

Mr. COURTER. You have read those press reports where other countries——

Mr. SIGUR. That is right.

Mr. COURTER. Unnamed today are assisting the Mujahaddin in Afghanistan?

Mr. SIGUR. That is right. I have read those reports, yes.

Mr. COURTER. Have you ever read any press reports where countries have helped Jonas Savimbi in Angola besides the United States covertly?

Mr. SIGUR. I guess I have. I am not that up on it, but——

Mr. COURTER. You have read those reports.

Mr. SIGUR. Yes.

Mr. COURTER. And it wouldn't surprise you?

Mr. SIGUR. Wouldn't surprise me, no, as I say, a lot of people have their own interests involved just because the United States happens to be doing the same thing, might be doing the same thing, isn't——

Mr. COURTER. My point is the fact that the response you gave before was misleading, at least to this member.

Mr. SIGUR. I see.

Mr. COURTER. How about Central America? Have you ever read any press reports that countries in the Americas besides the United States have helped covertly the Contras in Central America?

Mr. SIGUR. I have read things, but I don't know that for a fact.

Mr. COURTER. If I told you that it was true, would it surprise you?

Mr. SIGUR. No, not particularly, no.

Mr. COURTER. In other words, when you made the statement, I guess I misconstrued it?

Mr. SIGUR. I think so.

Mr. COURTER. There are plenty of examples whereby third countries have covertly assisted the United States by giving money, by giving supplies, by giving ammunition, by giving military equipment, by giving cash?

Mr. SIGUR. Yes.

Mr. COURTER. You talked quite a bit, Mr. Sigur, about the conversation you had in the Cosmos Club. I believe that was relative to Country Number Four.

Mr. SIGUR. That is right.

Mr. COURTER. And you indicated that the memorandum which was shown to you just an hour ago that was written by Oliver North, was not your understanding as to the main topic of the subject matter?

Mr. SIGUR. Not while I was—as I understand it, when I participated, that is right.

Mr. COURTER. Did you listen very carefully to the conversation?

Mr. SIGUR. I didn't listen all that carefully, no.

Mr. COURTER. Do you recall the conversation quite specifically?

Mr. SIGUR. I recall the general thrust of the conversation, Mr. Congressman, it is very difficult for me to recall the specifics of it.

Mr. COURTER. Is it possible that this memorandum of Oliver North was his true and honest recollection of the main thrust of the meeting?

Mr. SIGUR. Oh, I think it is quite possible that he talked about here is what he felt was the significant element of that meeting. And it is quite possible, as I said, that it took place. But not while I was there, as I recall it.

Mr. COURTER. The sit-down portion of that meeting lasted about an hour?

Mr. SIGUR. About an hour, as I remember.

Mr. COURTER. During that one hour during the sit-down portion of the meeting, you were not paying very careful attention to the conversation?

Mr. SIGUR. Not that much attention, no.

Mr. COURTER. Also, you indicated that you left for 5 or 10 minutes during the sit-down——

Mr. SIGUR. That is right.

Mr. COURTER. Portion of the conversation.

Mr. SIGUR. That is right. That is correct.

Mr. COURTER. You further testified that you left the meeting, you stood up and left when it appeared to be over.

Mr. SIGUR. Yes.

Mr. COURTER. But as you left the Cosmos Club, the two individuals, Mr. North and the other individual, representing Country Number Four, stayed.

Mr. SIGUR. As I recall, they stayed and they were talking when I walked out.

Mr. COURTER. And they were talking?

Mr. SIGUR. Yes.

Mr. COURTER. Did you see them leave as you left?

Mr. SIGUR. No, I did not.

Mr. COURTER. Did you see them leave at all?

Mr. SIGUR. No.

Mr. COURTER. Is it possible the one hour meeting perhaps was an hour and a half?

Mr. SIGUR. Oh, it is quite possible. Indeed.

Mr. COURTER. You indicated that when Oliver North asked you to approach another country, you indicated it was for humanitarian aid. He made that point?

Mr. SIGUR. Yes.

Mr. COURTER. And you asked him whether it was legal?

Mr. SIGUR. Yes, I asked the question, as I say, it was somewhat pro forma rather than anything else. I never thought it wasn't specifically.

Mr. COURTER. The reason you sought Oliver North's legal advice was because you didn't think it was illegal?

Mr. SIGUR. I would say that is right, yes.

Mr. COURTER. If you were sincerely suspicious, certainly you would have gone to counsel.

Mr. SIGUR. No, I was not suspicious, though.

Mr. COURTER. You—

Mr. SIGUR. It was only because, as I say, of what I had read in the papers and heard about, and of what Congressional action was being taken, and I just wanted to sort of be sure that everybody was, I guess, that he was looking at that.

But I have never doubted it. I never thought for a minute that there was anything wrong with it, illegal about it.

Mr. COURTER. You indicated that during your conversation with Oliver North he indicated that he was hoping for humanitarian aid.

Mr. SIGUR. That is what he talked about to me.

Mr. COURTER. Did he ever indicate to you directly that you can specifically recall with clarity that he was interested in something other than humanitarian aid?

Mr. SIGUR. No. He did not.

Mr. COURTER. Did you ever have a conversation with Bud McFarlane where he indicated to you that he was interested in something else from third countries, whether humanitarian or otherwise?

Mr. SIGUR. No.

Mr. COURTER. Did you have any direct conversations with Bud McFarlane with respect to solicitation of third countries?

Mr. SIGUR. No, I did not.

Mr. COURTER. You didn't have any conversation with Admiral Poindexter about that?

Mr. SIGUR. No, I did not.

Mr. COURTER. With the President of the United States about that?

Mr. SIGUR. No, I did not.

Mr. COURTER. Did any one of those individuals I just mentioned now ask you to do something that they believed was illegal or that you thought was illegal?

Mr. SIGUR. No, I have no reason to believe that.

Mr. COURTER. What would you have done had someone asked you to do something that you knew was illegal?

Mr. SIGUR. I wouldn't do it.

Mr. COURTER. And you did everything that you were asked to do?

Mr. SIGUR. Yes.

Mr. COURTER. Therefore, you, I assume, as you assumed it was perfectly legal?

Mr. SIGUR. Sure. Fundamentally I was getting people in touch, which is part of what you do when you deal in a collegial form of government. You try to do what people ask you to do.

Mr. COURTER. Mr. Sigur——

Mr. SIGUR. Unless you think there is something terribly wrong with it.

Mr. COURTER. And you didn't?

Mr. SIGUR. I didn't, no. Indeed, I didn't.

Mr. COURTER. Mr. Sigur—Dr. Sigur, excuse me.

Mr. SIGUR. Doesn't matter. Say it any way you want, Mr. Congressman.

Mr. COURTER. You have spent a great deal of time in reading history and following current events, particularly as they concern East Asia and the Pacific.

Mr. SIGUR. Yes.

Mr. COURTER. I mean that is the reason you were employed by the National Security Council?

Mr. SIGUR. That is right. That is right.

Mr. COURTER. That is the topic you are teaching now?

Mr. SIGUR. Was.

Mr. COURTER. Or in that area of expertise?

Mr. SIGUR. Yes.

Mr. COURTER. You were hired because of that area of expertise?

Mr. SIGUR. Yes, that is right.

Mr. COURTER. And also that is the reason you are now, I think, under retainer with the National Security Council because of your expertise?

Mr. SIGUR. Not anymore. I am with the State Department now.

Mr. COURTER. But you were?

Mr. SIGUR. Yes.

Mr. COURTER. It was because of your expertise in that region of the world?

Mr. SIGUR. That is right.

Mr. COURTER. In fact, you lived in that region of the world for a period of time?

Mr. SIGUR. That is right.

Mr. COURTER. As an expert in that part of the world—let me back up, if I may.

Mr. SIGUR. Sure.

Mr. COURTER. I am not sure whether you have listened to these hearings, but in case you have not—I don't blame you if you haven't—in case you have not, I and others have indicated that the U.S. foreign policy in Central America has somewhat changed and vacilated during the past number of years. Irrespective of whose fault that is, it has not been a reliable and consistent policy in Central America. Would you agree with that statement?

Mr. SIGUR. Well, I think there has certainly been quite a bit of confusion about it. I suppose that is because there is a great difference of opinion as to what it ought to be.

Mr. COURTER. Just to refresh everybody's recollection, there was a time when supporting Somoza to a time we helped usher him out, the time we gave a hundred million to the Sandinistas, the time we cut off that aid, a time when we gave aid to the resistance, the time we cut off that aid, and gave aid again.

Mr. SIGUR. Yes.

Mr. COURTER. That is rather a vacillating and inconsistent policy. With your expertise and in that part of the world in Asia and the Pacific, does that create in their governments a sense of reliability in the United States?

Have you ever had discussions with their leaders about the United States' inconsistent foreign policy?

Mr. SIGUR. Oh, I think that is always something that you know as you look at American foreign policy over the past so many years that one can always find in it, Mr. Congressman, a lot of inconsistencies. We are not alone in that, regardless, that is true of a lot of other countries, as well.

But it doesn't help you when people call you and point these things out to you.

Mr. COURTER. Have you had conversations with the leaders of some of those countries, the numbers of which we have read off here, where in the discussion was mentioned the vacillating foreign policy of the United States and the unreliability of this country?

Mr. SIGUR. I think they tend to be as generous as they can when they talk to me about these things and not really go into that too much, but certainly you get it, not so much from the leadership, but from others in talking about it.

Mr. COURTER. You know what I am talking about?

Mr. SIGUR. Yes.

Mr. COURTER. And do you agree with what I am talking about?

Mr. SIGUR. Yes, I agree with it.

Mr. COURTER. You indicated that you had never heard Bud McFarlane say categorically at a staff meeting that my interpretation of this amendment, this restrictive Boland amendment, covers the National Security Council?

Mr. SIGUR. I never heard that.

Mr. COURTER. No, you also testified that you did not attend all meetings?

Mr. SIGUR. That is right, yes.

Mr. COURTER. Is it possible or quite possible that he might have mentioned it during the time you were not there?

Mr. SIGUR. Oh, yes, it is quite possible, yes. He could have.

Mr. COURTER. And to your knowledge, your belief, you worked with Bud McFarlane for quite a—he is an honorable and credible person?

Mr. SIGUR. Oh, indeed. I have great respect for him.

Mr. COURTER. Did you hear any part of his testimony during the last four days?

Mr. SIGUR. Some, but not very much.

Mr. COURTER. That part you did hear, did you believe it was credible?

Mr. SIGUR. What I heard, yes.

Mr. COURTER. Do you have any reason to believe because of your relationship and the work that you did with him that he would be anything other than honest and forthright as he testified before this committee under oath?

Mr. SIGUR. Oh, no, I have no reason at all to believe that.

Mr. COURTER. We talked a few moments ago about your expertise in East Asia and the Pacific.

Mr. SIGUR. Yes.

Mr. COURTER. And the vacillating U.S. foreign policy in Central America.

I draw your attention to—this is not in your part of the world, so I may read something—to the Organization of American States and the Charter of the Organization of American States.

Is it your understanding that the Charter of the Organization of American States indicates that an attack by on country against another is an attack against others that are signatory to that agreement?

Mr. SIGUR. I really don't know enough about that, Mr. Congressman. I can't answer that.

Mr. COURTER. Let me read you, if I may, a report of the House Select Committee on Intelligence. That is not something that is in control of the party that is in control of the White House, but a 1983 report that says as follow, and this references El Salvador and the insurgents in El Salvador, and the question is whether the Sandinista government is assisting the insurgents in El Salvador. I quote from the report:

> The insurgents are well trained, well equipped, with modern weapons and supplies and rely on the site in Nicaragua for command and control and for logistical support.
>
> The intelligence supporting these judgments provided to the committee is convincing. There is further evidence that the Sandinista government in Nicaragua is helping train insurgents and is transferring arms and financial support from and through Nicaragua to the insurgents.
>
> They are further providing the insurgencies' bases of operations in Nicaragua. Cuban involvement, especially in providing arms, is also evident.

Let me just read a little further on. There is also in the next year, the same intelligence authorization committee, in a statement had the following thing to say,

> By providing military support, including arms, training, logistical command and control, and communications activities to groups seeking to overthrow the government of El Salvador and other Central American governments, the Government of National Reconstruction of Nicaragua—the Sandinistas—has violated Article 18 of the Charter of the Organization of American States.

Now, is your interpretation of that paragraph the same as mine, and mine is that the Intelligence Committee found that the Nicaraguan government was, in fact, in violation of the Organization of American States Charter?

Mr. SIGUR. That is the way it looks, Mr. Congressman, certainly.

Mr. COURTER. Did you ever have conversations with leaders or citizens who perhaps were more frank than leaders in the East Asia area and the Pacific, wherein they indicated that it appears rather strange that the United States is doing nothing with regards to the enforcing of a treaty which by their own Congress says other countries are violating?

Mr. SIGUR. I never had any specific conversations, I don't think, about the treaty, and other countries violating that. I don't recall that, but again, that wouldn't necessarily be something that I would have conversations about, you know, about that very specifically.

I just don't remember that kind of conversation.

Mr. COURTER. Dr. Sigur, I remember when I was reading your transcript I believe, I recall that there was some confusion over the dates of some of these meetings——

Mr. SIGUR. That is right.

Mr. COURTER. That you were talking about.

Mr. SIGUR. Yes.

Mr. COURTER. And the fact you had them in one period of time perhaps even a year off.

Mr. SIGUR. Right. Right. I was a bit—I wasn't sure then, but I have gone back over my daily appointment book, and I have been able to clarify it a bit.

Mr. COURTER. Did you keep notes or memoranda of these meetings?

Mr. SIGUR. No, I did not.

Mr. COURTER. So, your recollection of the meetings is based on——

Mr. SIGUR. That is right.

Mr. COURTER. Just that, not a fresh recollection.

Mr. SIGUR. Just a recollection, that is right.

Mr. COURTER. On your understanding and reference of what occurred many, many months ago.

Mr. SIGUR. Indeed. So, I think that is absolutely right. That is why I say I have always tried to say as I recall and to the best of my memory.

That is the way I have to put it, because that is the way I remember these things, and so I have to be very, very sure that I am not too categorical on this.

Mr. COURTER. No fear of that.

Did you in your working with Robert McFarlane—and you work with him and you spoke to people that you knew him very well——

Mr. SIGUR. Yes.

Mr. COURTER. Did he have—and I think this is a fair question that would be permitted in a court of law—did he have the reputation among his peers and in his community of being a man of veracity and integrity and honesty?

Mr. SIGUR. Absolutely.

Mr. COURTER. The same question with regard to Oliver North.

You worked with him side by side. You worked closely with him, knew the reputation that he had among his peers. Did he, as well, enjoy a reputation of being honest and of integrity?

Mr. SIGUR. Oh, yes.

Mr. COURTER. Then you hold those beliefs today?

Mr. SIGUR. Yes. I have no reason not to.

Mr. COURTER. I understand my 20 minutes is up so quickly, at least for me. I apologize to the Chair if I ran over.

Thank you, Dr. Sigur.

Mr. SIGUR. Thank you, Mr. Congressman.

Chairman HAMILTON. Your 20 minutes are up—your 27 minutes are up, actually. That is quite all right.

Mr. COHEN. Do I have a chance at redirect?

Chairman HAMILTON. We will proceed now under the 5-minute rule for the other members, and the Chair turns to Chairman Inouye.

Chairman INOUYE. Senator Boren.

Mr. BOREN. Thank you very much, Mr. Chairman.

At the risk of setting a dangerous precedent, in the hope of moving us along, I will pass my turn for questions.

Chairman INOUYE. Senator Heflin.

Mr. HEFLIN. Doctor, would you tell us whether or not the State Department is involved in intelligence activities?

Mr. SIGUR. Well, we have an intelligence group in the State Department, INR, and so they provide us with their own intelligence assessments and so forth.

I don't know what that means in terms of your question, Senator, whether we are involved or not in terms of intelligence activities. I am not sure I can give a proper opinion on that.

Mr. HEFLIN. Well, I am exploring the Boland amendment as to an entity of the United States involved in intelligence activity, as to whether or not that language would include the State Department.

Mr. SIGUR. I understand, Senator. I am just not as sure of that.

From a legal point of view, I don't think I can respond to you on that. I don't know.

Mr. HEFLIN. Do you recall that the National Security Council, after the Boland amendment was passed, whether there was any schooling, any information, meetings of officials pertaining to the import of the Boland amendment?

Mr. SIGUR. I do not recall that, Senator.

Mr. HEFLIN. Let me ask you about Country Number Four. According to your other testimony, I believe there was a meeting set up with a General of Country Four at the Cosmos Club in which there were some discussions pertaining of military equipment or the selling of military equipment to the Contras.

Do you know whether or not that discussion led to a sale of military equipment from Country Four to the Contras?

Mr. SIGUR. I have no knowledge of that, Senator, what followed as a result of the discussion there.

Mr. HEFLIN. Would that have been a conversation in a meeting that occurred somewhere around in November of 1984?

Mr. SIGUR. Yes. That is when the meeting took place.

Mr. HEFLIN. And at that time was there any discussion that Boland had been adopted a short time previous too that between you and, I believe, Colonel North?

Mr. SIGUR. There was no specific discussion.

As I say, I did raise the question to him of—I did ask him about whether the conversation that he had had and the things that he had discussed were legal, and he said yes, and I don't know—I don't think we ever specifically mentioned—clearly, I was—I was referring to actions that had been taken by the Congress.

Mr. HEFLIN. Now, the other instances that you have testified about deal with the issue of solicitation of assistance, but on this instance it was the issue of the sale from this country of arms to the Contras.

Mr. SIGUR. In particular, Country Number Four.

As I said, not necessarily to the Contras. It was a broad discussion of to the area, and to other people in the area, other possible countries in the area. It wasn't specifically, as I understood the discussion that I participated in, directed necessarily to the Contras.

Mr. HEFLIN. But the Contras were specifically mentioned?

Mr. SIGUR. Yes, the Contras were mentioned certainly in the course of the discussion, yes.

Mr. HEFLIN. And other countries in addition to the Contras?

Mr. SIGUR. It wasn't quite that way.

It was a question of sale of arms to the region and to countries in the region which would benefit and which would be of assistance beneficially to the Contras. But it was wasn't necessarily directed to them.

Mr. HEFLIN. Was there a regional purchasing entity?

Mr. SIGUR. Not to my knowledge. I don't know anything about that, Senator.

Mr. HEFLIN. If there was a sale——

Mr. SIGUR. To another country in the region. A specific country, perhaps—I don't recall the countries, but I think that is the way I understood it.

Mr. HEFLIN. You did not hear any more about this at any other time?

Mr. SIGUR. No, sir, I don't recall that. Not to my recollection.

Mr. HEFLIN. Was any quid pro quo brought up at that time relative to the—if you will sell to the Contras and other countries, that there will be some type of return of a favor from the United States?

Mr. SIGUR. Not to my knowledge, Senator. I heard nothing of that sort.

Mr. HEFLIN. This was strictly a money proposition?

Mr. SIGUR. That was my understanding of it.

Mr. HEFLIN. All right, sir. That is all.

Chairman HAMILTON. Mr. Cheney.

Mr. CHENEY. No questions, Mr. Chairman.

Chairman HAMILTON. Mr. Fascell.

Mr. FASCELL. Dr. Sigur, just two questions. How did you get on the National Security Council?

Mr. SIGUR. Well, I was asked to come by J. Clarke, who was then the National Security Adviser. I don't know why he did it, but in any event, he called me and asked me if I would come.

Mr. FASCELL. How did you get into the State Department?

Mr. SIGUR. I was asked by Secretary Shultz to become Assistant Secretary.

Mr. FASCELL. And that was last year some time?

Mr. SIGUR. That was when I moved from the University over the State Department, but I had talked about it earlier than that, a few months earlier. These things take time.

Mr. FASCELL. Thank you very much.

Chairman HAMILTON. Senator Hatch.

Mr. HATCH. Thank you, Mr. Chairman.

Mr. Sigur, just a couple of questions.

You indicated that your first meeting, as I understood it, with a representative of Country Three was July of 1985?

Mr. SIGUR. Yes.

Mr. HATCH. You indicated that the Contras were in need of humanitarian assistance?

Mr. SIGUR. That is right.

Mr. Hatch. Were you aware that in July of 1983 both Houses of Congress passed legislation proposed $27 million to the Contras in humanitarian aid?

Mr. Sigur. I was not.

Mr. Hatch. Then our next Contract with the representative from Country Three was in the fall of 1985, is that right?

Mr. Sigur. That is correct.

Mr. Hatch. This contact also occurred then after Congress had itself proposed $27 million for humanitarian aid, is that right?

Mr. Sigur. You see, I wasn't up on all these things, Senator. I appreciate what you are saying, but I was not aware of all of this.

Mr. Hatch. I understand. I point that out because these two contacts in Country Three occurred in July and the fall of 1985. I don't know how anybody could claim that these meetings would be in violation of the Boland amendment if the Congress passed humanitarian assistance at that time. I wanted to point that out, and maybe help you along here a little bit.

Thank you, Mr. Chairman.

Chairman **Hamilton.** Mr. Broomfield.

Mr. Broomfield. You mentioned that you had contacts with Countries Three, Four and Five?

Mr. Sigur. Yes.

Mr. Broomfield. How successful were you in generating funds for the Contras, total amount for these three countries?

Mr. Sigur. Well, the only request or discussions with funds was with Country Three. The other two had nothing to do with that, nothing to do with funding.

Mr. Broomfield. To your knowledge, are there any foreign countries currently providing funds for other aid to the Contras?

Mr. Sigur. I just don't know that, Mr. Congressman. I have no knowledge of that.

Mr. Broomfield. How long since you left the NSC?

Mr. Sigur. I left—I was a consultant until March of last year—1986, and I have been at the State Department ever since.

Mr. Broomfield. Thank you, Mr. Chairman.

Chairman **Hamilton.** Senator Sarbanes?

Mr. Sarbanes. Dr. Sigur, do I understand that you did for about a year and a half on a part-time basis in the NSC what you were previously doing on a full-time basis?

Mr. Sigur. That is right, Senator.

Mr. Sarbanes. That really is a full-time job, though, isn't it?

Mr. Sigur. No. I was asked by Mr. McFarlane to continue to oversee Asian policy. He knew that my time would be quite limited in terms of what I could do, and that was right, but he still wanted me to do that, and I agreed.

Mr. Sarbanes. In this conversation you had with Colonel North when he asked you to get in touch with a representative of Country Three, he told you that Mr. McFarlane wanted you to do that?

Mr. Sigur. That is correct.

Mr. Sarbanes. And you assumed that Mr. McFarlane wanted you to do it on the basis of Colonel North's representation?

Mr. Sigur. Yes.

Mr. Sarbanes. So, you proceeded to do that and came back and reported on that meeting to Mr. McFarlane?

Mr. SIGUR. That is right.

Mr. SARBANES. Did Mr. McFarlane, by his conduct, indicate to you that in fact Colonel North had been correct when he represented what Mr. McFarlane wanted you to do?

Mr. SIGUR. He gave nothing to indicate he hadn't been.

Mr. SARBANES. You were reporting to him on something that Mr. McFarlane wanted you to do; is that correct?

Mr. SIGUR. That was my understanding. I had no reason to think otherwise.

Mr. SARBANES. Were you throughout this period told that there were others soliciting any of these countries that have been mentioned with you today, were being solicited for funds?

Mr. SIGUR. No, Senator.

Mr. SARBANES. People in the private sector solicited them for funds?

Mr. SIGUR. I didn't know about that.

Mr. SARBANES. You didn't know about General Singlaub——

Mr. SIGUR. An individual whom I met from that country did say to me sometime, and I don't remember when it was, that General Singlaub had been in his country and had been talking to people about funds for the Contras.

I told that to Colonel North and that was the end of that. That is all there was to it. He did mention that. I can't remember exactly when that was. It was probably sometime in the late fall of 1985 or winter of 1985 or sometime, I don't remember.

Mr. SARBANES. But it was indicated to you by the representative of one of these countries that General Singlaub had approached their country——

Mr. SIGUR. Or had been talking to people. I don't know with whom he talked, but that was what was said.

Mr. SARBANES. You responded to Senator Cohen, but would you tell us a bit more about the prospective solicitation by the Secretary of State on your trip? How did that come up, how did you become aware that that was even a possibility of taking place?

Mr. SIGUR. Well, we began—he asked me to discuss with him the possibility of approaches to that country. I mean, my understanding was a decision had been made to approach that country for an amount of money, and so, we discussed the ways in which to go about it. That was it.

Mr. SARBANES. But the Secretary of State raised that issue with you?

Mr. SIGUR. Yes.

Mr. SARBANES. In other words, he placed it on the agenda with you?

Mr. SIGUR. That is right.

Mr. SARBANES. Was this when you had departed on the trip, or while you were preparing for it here?

Mr. SIGUR. We were on the trip.

Mr. SARBANES. You were already on the trip?

Mr. SIGUR. Yes.

Mr. SARBANES. Was the Secretary's view at that time that he was going to raise this matter in the course of the trip himself?

Mr. SIGUR. Well, I don't think it is something that he had specifically on his mind. We talked about various approaches and the approach—the approach that we decided upon was to talk to our ambassador about it and get his thoughts about how the approach should be made.

As I say, my understanding was the idea of approaching him had been determined. This was not something up for discussion. The discussion was simply how to go about it.

Mr. SARBANES. Was one of the possibilities that the Secretary should approach him directly himself?

Mr. SIGUR. That was always a possibility, but that was discarded.

Mr. SARBANES. You advised against that idea?

Mr. SIGUR. Yes, I did.

Mr. SARBANES. Were you aware of the extensive, apparently, contacts between Colonel North and Director Casey?

Mr. SIGUR. No.

Mr. SARBANES. Did you have any sense of that when you were on the NSC staff?

Mr. SIGUR. No, I didn't. I didn't know what that relationship was. Obviously he had relations with people in the agency, so did everybody for that matter. In terms of this, I had no knowledge of his relationship with the Director.

Mr. SARBANES. And I take it from the way you responded earlier to questions it was not your sense that Colonel North was on his own mission. You had the sense that he was acting under supervision and orders?

Mr. SIGUR. No question in my mind. I never thought for a minute that he was doing anything on his own. I assumed he was carrying out U.S. Government policy as he understood and as presented to him.

Mr. SARBANES. Who was presenting it to him?

Mr. SIGUR. He was extremely close to the National Security Adviser and I assumed that is where it was coming from.

Mr. SARBANES. Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Hyde.

Mr. HYDE. Dr. Sigur, of the six countries that we referred to digitally, every one of them, it could be fairly said, is anti-Soviet.

Mr. SIGUR. Yes, that is right.

Mr. HYDE. And while the implication has been planted here and there that there may be quid pro quos for this sort of contribution, the fact is that every one of those countries, and I am not assuming that any or every one of them made a contribution, would not be happy to see a Soviet power projected into another portion of the world even if it wasn't in their front yard, even if it is in our front yard, they wouldn't be happy to see Soviet expansionism; is that correct?

Mr. SIGUR. That is correct.

Mr. HYDE. Thank you, Doctor.

Chairman HAMILTON. Senator McClure.

Mr. MCCLURE. I have no questions at this time.

Chairman HAMILTON. Senator Mitchell.

Mr. MITCHELL. No questions, Mr. Chairman.

Chairman HAMILTON. Senator Rudman.

Mr. RUDMAN. Dr. Sigur, just following up on my colleague, Mr. Courter, and my colleague, Orin Hatch, there was no question whatsoever that the discussion about the money from Country Three was that it was humanitarian aid?

Mr. **SIGUR**. Not in my understanding of it, that is right.

Mr. **RUDMAN**. No confusion in your mind that is what was represented?

Mr. **SIGUR**. Not in my mind. I was absolutely clear on it.

Mr. **RUDMAN**. I think the record ought to show something, let the record show that the several million dollars from Country Three was transferred into the Swiss bank account of that great world humanitarian organization, Lake Resources, who has not been known for buying much rice or wheat, and further that Country Three might be somewhat disturbed to know that that several million dollars presently conceivably could be in a certificate deposit in the name of Albert Hakim.

Thank you, Mr. Chairman.

Chairman **HAMILTON**. Mr. Rodino?

Mr. **RODINO**. No questions.

Chairman **HAMILTON**. Mr. Brooks?

Mr. **BROOKS**. No questions.

Chairman **HAMILTON**. Mr. McCollum?

Mr. **MCCOLLUM**. No questions.

Chairman **HAMILTON**. Mr. DeWine?

Mr. **DEWINE**. No questions.

Chairman **HAMILTON**. Mr. Stokes?

Mr. **STOKES**. No questions.

Chairman **HAMILTON**. I have no questions. We have completed this side, Mr. Inouye.

Chairman **INOUYE**. I had a lot of questions, but I will pass.

Chairman **HAMILTON**. I want to express my appreciation to the restraint by Senators and Members this afternoon. Mr. Sigur, thank you for your cooperation and you are excused.

We will take a 5-minute recess while we prepare for the next witness.

[Recess.]

Chairman **HAMILTON**. The joint hearings will resume.

Our next witness is Mr. Robert Owen.

Mr. Owen, would you stand, please, to take the oath.

[Witness sworn.]

Chairman **HAMILTON**. You may be seated.

The questioning will begin by counsel, Mr. Neil Eggleston.

Mr. **EGGLESTON**. Thank you, Mr. Chairman.

Mr. Owen, some months ago you were subpoenaed——

Mr. **HYDE**. Mr. Chairman, Mr. Owen has submitted an opening statement. I find it personally quite interesting and I wonder if he may be accorded the same permission that other members were accorded, to read his opening statement.

Chairman **HAMILTON**. He will be permitted to read that at the appropriate time, Mr. Hyde. We want to ask preliminary questions first and, after the grant of immunity, the statement may be read.

Mr. **EGGLESTON**. Mr. Owen, some months ago you were subpoenaed to testify at depositions, and those subpoenas were issued by the Senate and House Select Committees; is that correct?

Mr. **Owen**. Yes, sir.

Mr. **Eggleston**. And at that time you elected not to testify and to assert your fifth amendment privilege to refuse; is that correct?

Mr. **Owen**. Yes, that's correct.

Mr. **Eggleston**. Mr. Owen, this is a new proceeding and you must make a new decision about whether or not you are going to testify without immunity.

I take it that you are going to refuse to testify without immunity; is that correct?

Mr. **Owen**. That is correct.

Mr. **Eggleston**. Let me ask you now, as I asked you in the deposition, one question before immunity is granted. Do you know a man by the name of Lieutenant Colonel Oliver North?

Mr. **Owen**. I respectfully exercise my rights under the Constitutional amendment not to answer that question.

Mr. **Eggleston**. Mr. Chairman, the witness has refused to answer a question posed to him by this committee. I request that the Chairmen of the two committees communicate the immunity order to Mr. Owen.

Chairman **Hamilton**. Mr. Owen, I am hereby communicating to you an Order issued to the House Committee by the U.S. District Court for the District of Columbia. The Order provides, in substance, that you may not refuse to provide evidence on the basis of your privilege against self-incrimination. It provides that evidence obtained from you under the Order may not be used against you in any criminal proceeding.

A copy of the Order is at the witness table. Pursuant to the Order, I direct you to answer the questions put to you, and I recognize Chairman Inouye.

Chairman **Inouye**. Mr. Owen, I communicate a similar Order obtained by the Senate Select Committee, which is also at the witness table, and accordingly I, too, direct you to answer the questions put to you.

Chairman **Hamilton**. Mr. Owen, the immunity procedure is complete.

I understand you have a brief opening statement, of which we have copies. You may read that statement, and then Mr. Eggleston will resume questioning.

Mr. Owen.

Mr. **Owen**. Thank you, sir.

You have heard from a former general, a former National Security Adviser and an Assistant Secretary of State. I was but a private foot soldier who believed in the cause of the Nicaraguan democratic resistance. I was not a policy maker, but where possible I made my views known.

What I know and did, I want to share with the American people and the committees. If my knowledge and observations can contribute to the dialogue and the American people's understanding of the Nicaraguan civil war, I will consider my appearance a success.

But, more importantly, I would hope my testimony will lend itself in some small way to shifting the well warranted national debate from one of exaggeration as to what happened to one which is more understanding why it happened.

Mr. Jimmy Dubin, a retired lawyer who attended Monday's hearing, told the New York Times, "Most of us don't know what's going on in Nicaragua. . . . We don't know whether to support the Contras or the Sandinistas. So we don't know if the President was wrong or Congress is, as usual, ill advised."

I think Mr. Dubin was speaking for the majority of Americans, as most probably think the same way. They do not understand how, much less why, we find ourselves in this situation.

Some of you spoke in your opening remarks about the process by which foreign policy is conducted and formulated. Yet you neglected to mention the motivation or the purpose of our foreign policy. It is my opinion that you cannot talk about process without talking about motivation and purpose.

You say the American people have a right to know what happened. I agree with you. But they have a right to know not only the what, but the why, as well.

Why did the administration have to turn to foreign allies and people outside of government to carry out some aspects of a stated foreign policy? And why did private American citizens choose to risk their "lives, their fortunes, and their sacred honor" to help a rag-tag army, the majority of whom are poor compasinos?

Senator Inouye, in your opening remarks you characterized this whole story as "both sad and sordid." I believe there is another side. This is also a story of courage and compassion, caring and sharing—of doing what is right, and dying for a cause.

Most of us did not go into this for money or because of the politics of the Nicaraguan exile community in Miami, nor for the San Jose politicians or the Tegucigalpa commandantes. In fact, I put some of the money earmarked for my compensation back into the effort to cover costs and expenses, as I think others did. Some made the ultimate sacrifice; they gave up their lives.

Many got involved because we cared about those Nicaraguans willingly fighting, bleeding and dying in the jungles so that some day they might be able to enjoy some of the same freedoms we Americans take for granted every day.

And, in truth, taking the long view, they—we—are fighting for our freedom, too. The totalitarian dictatorship in Communist Nicaragua is a strategic threat to the rest of Central and Latin America. And to the United States.

Make no mistake, the hard-core Sandinistas mean our nation harm, to say nothing of the harm they mean to the common people of Nicaragua and elsewhere in the Americas. Theirs is a government that rules by torture and terror, fear and force.

I think, when these hearings are over, fair-minded people will conclude that the Senate, the House and the administration are all partially responsible for what happened.

The responsibility does not rest solely on the shoulders of Oliver North, Robert McFarlane, John Poindexter, or Richard Secord. Some of it rests on Congress for initially approving monies to arm and send into the field young and old Nicaraguans whose only goal was to help themselves return to their native land and live in peace and freedom.

It was Congress which over the years appropriated start-up funds and lethal assistance, then cut off all aid, a year later voted for humanitarian assistance, and then voted for lethal aid once again. I think the American people have a tough time understanding this on-again, off-again policy, to say nothing of our allies in the region.

I would like to add, there should be no inconsistency in foreign policy. If there is, it leads to a loss of confidence and credibility in the United States as an ally. How can we, as a nation, be taken seriously? Our allies are sometimes more scared of us than they are of the Soviets. They are least know where the Soviets stand—they are consistent. The United States is not.

After these hearings, the problem of how to deal with Nicaragua will still be there. The Sandinistas and their Soviet, Cuban, East German, North Korean and Vietnamese advisers, and various international terrorist organizations, will still be ensconced in Managua while controlling the reins of power in Nicaragua.

The Sandinistas will not open up their society and will not stop exporting their revolution to other Central American countries, as many believe, should aid to the resistance be stopped once again. On the Contrary, they will tighten the shackles of oppression around the hearts of the Nicaraguan population while spreading the revolutionary fever with an even greater and more ruthless zeal.

As Churchill so eloquently said, you cannot "feed all around you to the crocodiles on the hopes they'll eat you last."

I have not meant to start out in an adversarial position, but I would not be true to myself, nor to those friends and thousands of others who have died trying to recapture the revolution the Sandinistas stole in 1979, unless I said what I believe.

On a personal note, before I began working with the Nicaraguan democratic resistance, I visited a close friend and laid out what I was about to do. He asked me three questions. Would my actions be moral? Would they be in the best interests of my country? And, would they be legal? I answered yes to them at that time.

To my wife, my family and my friends, I say thank you for your love and unfailing support. To all of my mentors alive and possibly listening, I say thank you for your advice, your faith and your friendship.

To those who trusted me in this endeavor, I know you will understand my testifying and breaking silence comes from necessity. And I think it is right for the American people and the world to know what happened and why.

In closing, my feelings can best be summarized by what David said to his brothers when they challenged his right and ability to fight Goliath: "Is there not a cause?" I will ask all of you, is there not a just cause?

I tried to the best of my ability to do my part and am willing to stand and fall with the rightness and righteousness of the cause I served.

Thank you, Mr. Chairman.

Chairman HAMILTON. Thank you, Mr. Owen.

Mr. Eggleston, you may proceed.

Mr. EGGLESTON. Thank you, Mr. Chairman.

Mr. Owen, as a soldier in this war, you are somewhat less well known than those two individuals you mention in the first line of your opening statement, Mr. McFarlane and Mr. Secord, so let's just take a minute and go through your background.

I take it you were in your mid-thirties; is that correct?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And you were born in Rhode Island?

Mr. OWEN. Yes.

Mr. EGGLESTON. And there came a time in the late seventies when you graduated from Stanford University?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And after that, you worked in various private schools, and finally there came a time in 1982 when you began working for Senator Dan Quayle, is that right?

Mr. OWEN. Yes, I did. I came to Washington after going to Thailand and working in the U.S. refugee program for a short time. I was there long enough to become dangerous, yet not long enough to become an expert in what went on over there.

Mr. EGGLESTON. So, when you came to Washington, you at some time began working for Senator Quayle?

Mr. OWEN. Yes, I did, after working for the Senate Republican Conference.

Mr. EGGLESTON. And did there come a time when you began working for Gray & Company?

Mr. OWEN. Yes, I joined Gray and Company after leaving Senator Quayle in 1983.

Mr. EGGLESTON. And did there come a time when, while you were at Gray and Company in or about the spring of 1984 when you were approached, or Gray and Company was approached by the Contras with respect to a proposal?

Mr. OWEN. I believe in April of 1984, one of Gray and Company's Vice Presidents was approached by a representative of the FDN, and at that time, there was talk about the possibility, a possibility for Gray and Company doing representation. The person approached was not someone who was interested in that.

It was passed through a Senior Vice President, who then asked me to further contact with them. Because this was something new and different, I went and talked to Colonel Oliver North, who I met previously about a year before, and asked him about it.

Mr. EGGLESTON. And you had conversations with him then about the situation in Nicaragua?

Mr. OWEN. Yes, I did. He told me that the Contras knew that their funds were running out, and that they had been told to look for representation in Washington.

Mr. EGGLESTON. From your prior acquaintance with Colonel North, you knew him to be someone at the NSC who was involved in the Contra account, is that correct?

Mr. OWEN. Yes, in 1983, when I was working for Senator Quayle, an Indiana constituent, John Hull, a Nicaraguan who had just come in from the jungles of Nicaragua, and two Americans visited the Senator and I was asked to speak with them.

I felt their story needed to be told, so I talked to a number of people in Washington, both in the Senate and the House, Department of Defense and NSC, and set up an appointment for them.

One of the people we met with was Colonel North.

Mr. Eggleston. And what you have just described is something that you did in 1983; is that correct?

Mr. Owen. Yes.

Mr. Eggleston. Did you, in fact, work on a proposal for the Contras in 1984; is that also correct?

Mr. Owen. Excuse me, in 1984.

Mr. Eggleston. In 1984, while you were at Gray and Company, you began working on a proposal through Gray and Company?

Mr. Owen. Yes, initially after talking to Colonel North and another representative of Gray and Company, and I put together several different proposals. This was at the time when no one quite knew where the money for the Contras was going to come from.

The first proposal was one on setting up proprietary companies which could be used to purchase goods overseas and provide assistance to the Contras. Another one was using a nonprofit organization to provide assistance through raising funds here in the United States to provide humanitarian and non-lethal assistance.

Mr. Eggleston. Who was the individual at Gray and Company with whom you worked in putting this proposal together?

Mr. Owen. He was a Senior Vice President by the name of Neil Livingston.

Mr. Eggleston. And when you describe the proposal as being a proposal to establish proprietaries in Europe in order to buy goods, what kinds of goods would be purchased through those proprietaries in Europe?

Mr. Owen. An Army eats a lot more than it shoots, but you also need weapons and arms to provide them.

Mr. Eggleston. So it was part of that proposal that these companies be used to purchase weapons overseas?

Mr. Owen. Potentially, if necessary.

Mr. Eggleston. And for those weapons, then, to be shipped to Contras down in Central America; is that correct?

Mr. Owen. That was the idea at the time.

Mr. Eggleston. Now, the original proposal that you first began working on, which I take it would have been some sort of a public relations type proposal with Mr. Livingston; was that proposal ever adopted by the Contras?

Mr. Owen. No, they felt it would probably be too expensive, and also Gray and Company did not feel comfortable representing the Contras.

Mr. Eggleston. Mr. Owen, how did you know that the Contras were going to have a need to purchase weapons through proprietaries overseas or through some fashion such as that?

Mr. Owen. After meeting with Colonel North and coming up with a couple of different proposals as far as options that could be used to help them, a decision was made that I would go down to Central America and visit both Costa Rica and Honduras, and come back with a report laying out what the probable needs would be for the Contras during the next period of months, and this I did.

I went to Costa Rica and then on to Honduras.

Mr. Eggleston. Before you tell us about the trip that you then took, this proposal that you have identified which talked about setting up the proprietaries, did you show that proposal to Colonel North?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And did you discuss it with him?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And was it the result of those discussions with him that you took this trip down to Central America?

Mr. OWEN. I believe it was because of not only that proposal but their other proposals together.

Mr. EGGLESTON. And you, in fact, in late May and early June of 1984 did take a trip to Central America?

Mr. OWEN. Yes, I did private time. I had to take a leave from Gray and Company. I used my own money. I flew to Costa Rica where I spent probably about 4 or 5 days. Then I flew on to Honduras and spent about another week.

Mr. EGGLESTON. And while down there did you have occasion to talk to Contra leaders?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And did you talk to them about their potential funding needs?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And this was a period of time, I take it, when although the October 1984 Boland amendment had not yet come into effect, the Contras were running out of the ceiling that had been imposed on fiscal year 1984; is that right?

Mr. OWEN. Yes, everyone knew that the funds were running out. When I was there the end of may, beginning of June, they felt they might have enough money to sustain themselves through part of June. They had bills that were coming down that they weren't even paying.

Mr. EGGLESTON. When you talked to the Contra leaders about their funding requirements, did they tell you approximately how much money they thought they would need in order to sustain themselves both materially and militarily?

Mr. OWEN. They told me they would need $1 million a month, and if they wanted to increase in size they would need about a million and a half dollars a month.

Mr. EGGLESTON. By "increase in size," do you mean just increase the number of men in the military?

Mr. OWEN. Obviously, and also increase the number under arms.

Mr. EGGLESTON. After learning this information from the Contra leaders about their continued funding requirements, did you return to the United States and speak to Colonel North?

Mr. OWEN. Yes, I did, several memos for him and had a couple meetings with him.

Mr. EGGLESTON. Did you describe to him both in memos and in personal meetings the funding requirements that the Contras would have if they were to continue to operate after the money ran out?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Did there come a time on or about July 2 of 1984 when you wrote a letter to Colonel North?

Mr. OWEN. Yes.

Mr. **Eggleston**. Could you take a look at exhibit RWO-1, which I believe is in the book in front of you?

[The exhibit appears at p. 776.]

Mr. **Owen**. Yes.

Mr. **Eggleston**. Mr. Owen, do you have that in front of you?

Mr. **Owen**. Yes, I do.

Mr. **Eggleston**. Mr. Owen, this is a letter, is it not, addressed to Oliver North?

Mr. **Owen**. Yes, it is.

Mr. **Eggleston**. And on page 2 of the letter at the bottom there is a signature; is that correct?

Mr. **Owen**. Yes.

Mr. **Eggleston**. And does that say "Rob"?

Mr. **Owen**. Yes.

Mr. **Eggleston**. And that is you?

Mr. **Owen**. Yes.

Mr. **Eggleston**. Let me start by keeping you on page 2. There is a paragraph, indented paragraph, the third indented paragraph, that talks about funding requirements. It mentions firecracker costs, and it mentions a minimum of $1.5 million.

Mr. **Owen**. That wasn't for a large July 4th celebration; that was meant to be arms.

Mr. **Eggleston**. That was meant to be arms; is that correct?

Mr. **Owen**. Yes.

Mr. **Eggleston**. This is one of the ways that you communicated to Colonel North about the funding requirements of the Contras; is that right?

Mr. **Owen**. Yes, I told him both orally and in written form.

Mr. **Eggleston**. Let me direct your attention to the first page of this memorandum. Let me just indicate and represent to you, Mr. Owen, that at the bottom right hand corner of this document there is a symbol that says "BKD/FBI". That is an indication that this document was found by the FBI in the offices of Colonel North.

The third paragraph reads, "As for the toys we talked about,"—this is you writing to Colonel North—"I will be having a meeting this week to learn what clarifications are needed."

Mr. Owen, the references to toys on this paragraph—what is that a reference to?

Mr. **Owen**. It is a reference to arms.

Mr. **Eggleston**. And is this a time when you were actually out looking to find arms for the Contras?

Mr. **Owen**. No, I wasn't actively looking. The representative who I was going to meet for clarification wit was someone who had been recommended I talk with, and it was just sort of a chance encounter, and it evolved from there.

Mr. **Eggleston**. Now, the paragraph right below the line reads, "I just returned from a meeting with the individual who has access to the contacts for the toys."

That is the individual you just referred to?

Mr. **Owen**. Yes.

Mr. **Eggleston**. And "toys" again means weapons in this line?

Mr. **Owen**. Yes, sir.

Mr. EGGLESTON. "If this is to be a reality, he would like a meeting with you. He does not know with whom I am dealing and won't know until it is necessary."

That is a reference to—the "with whom I am dealing" is a reference to Colonel North?

Mr. OWEN. Yes, it is.

Mr. EGGLESTON. He may only be—excuse me—"It may only be assurances that come December or January certain equipment could be purchased from here or possibly even from a third country."

I am also reading out of the document which is RWO-1.

The third country—without identifying it, have you previously told me what that country is, Mr. Owen?

Mr. OWEN. I am not sure that you asked.

Mr. EGGLESTON. Well, let me just represent to you that that is a country that has been referred to in this committee hearing, I believe, as Country Number Six.

Mr. OWEN. OK, if you say so.

Mr. EGGLESTON. So, the reference here is a reference to obtaining weapons from an individual representing a third country; is that correct?

Mr. OWEN. Yes.

Mr. EGGLESTON. Mr. Owen, the trip that you took down to Central America in late May and early June of 1984 was really the first of numerous trips that you thereafter took to Central America over the next, I guess it was over two years?

Mr. OWEN. Yes, I actually visited Central America one before, when I worked for Senator Quale. John Hull, who is a constituent had sent me a round trip ticket from Washington to Costa Rica. I went to the Senator and asked him if I could expand that and go to Salvador, and Nicaragua, and Honduras. He said fine, but you have to use your own money and you have to take vacation time, and this I did. I got it cleared from the Ethics Committee and from the Senator's office.

Mr. EGGLESTON. That is a trip that you took prior to May of 1984?

Mr. OWEN. Right. That was in the summer of 1983.

Mr. EGGLESTON. But this trip then started a series of trips that you began taking after these consultations about the funding needs and the military needs of the Contras that you had with Colonel North?

Mr. OWEN. That is correct.

Mr. EGGLESTON. Let me direct your attention, if I could, to August of 1984. Did you have occasion to be in Dallas at that time?

Mr. OWEN. Yes, I was doing volunteer work for the Republican Convention.

Mr. EGGLESTON. And did you have occasion to have some meetings while you were there?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And did you meet with Colonel North?

Mr. OWEN. Yes, I met with Colonel North, General Jack Singlaub, and a Contra leader.

Mr. EGGLESTON. And which Contra leader was it that you met with at that time?

Mr. OWEN. Adolfo Calero.

Mr. EGGLESTON. And did you have a series of meetings with those individuals over a couple of days?

Mr. OWEN. We would see each other from time to time.

Mr. EGGLESTON. And what is it that you discussed among the four of you in those meetings?

Mr. OWEN. The need to continue to find assistance for the Contras.

Mr. EGGLESTON. Had you met Adolfo Calero prior to this time?

Mr. OWEN. I don't believe I had, but I may have, I am not sure.

Mr. EGGLESTON. And as to General Singlaub, had you met General Singlaub prior to this time?

Mr. OWEN. No, I think this was the first occasion.

Mr. EGGLESTON. When you indicated that your discussions included the needs of the Contras, I take it you are referring to their funding needs, is that correct?

Mr. OWEN. That is correct.

Mr. EGGLESTON. And did you also discuss in these meetings the military needs that the Contras had?

Mr. OWEN. I believe we probably did.

Mr. EGGLESTON. And so the discussion also included discussions of ways and the amounts of military equipment and hardware that the Contras needed?

Mr. OWEN. I think so, but I can't be sure. I would imagine so.

Mr. EGGLESTON. Mr. Owen, let me ask you, did you have occasion to visit Central America again in the fall of 1984?

Mr. OWEN. Yes, I took a trip in November.

Mr. EGGLESTON. Did you take an earlier trip? Did you take a trip, Mr. Owen, in late October?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And the trip in late October, did you have occasion to meet with Adolfo Calero?

Mr. OWEN. Yes, I was in Costa Rica at that time.

Mr. EGGLESTON. So you met with Mr. Calero in Costa Rica?

Mr. OWEN. Yes sir, I did.

Mr. EGGLESTON. And while meeting with him, did you have—at that time were you still with Gray & Company?

Mr. OWEN. Yes, and once again, I had to pay my own way and I took private time.

Mr. EGGLESTON. And did you have any discussion with Mr. Calero about our going to work for him?

Mr. OWEN. We had been talking off and on since we first met in August or possibly just before, about ways that I might be able to assist them and we came to an agreement, if you will, that I would leave Gray & Company, and I would do whatever I could to assist him in the coming months before the U.S. Government decided to give funding back to the Contras.

Mr. EGGLESTON. Now, was there any agreement between you and Mr. Calero about what your compensation would be?

Mr. OWEN. It was either at that meeting or at a subsequent meeting in the United States and the agreement was that I would get $2,500 a month, plus most of my expenses would be taken care of.

Mr. EGGLESTON. And just what was your job description, if I could ask?

Mr. OWEN. My job description was very fluid. It was not something put down on a piece of paper.

Mr. EGGLESTON. What did you understand that you would be doing for him for the amount of money that you were going to be earning?

Mr. OWEN. Doing whatever I could to support their cause.

Mr. EGGLESTON. And did that include acting as a courier between Mr. Calero and Oliver North?

Mr. OWEN. It evolved into that at one point, although I wouldn't say it was just for Mr. Calero.

Mr. EGGLESTON. Was there also discussion at that time with John Hull?

Mr. OWEN. Yes. John Hull, as I said, was an Indiana constituent who had been living in Costa Rica for 20 years. He is a man who has given a tremendous amount to his country and to the Costa Rican country.

Mr. EGGLESTON. And you had discussions with him in Costa Rica at that time as well?

Mr. OWEN. Yes, a meeting was set up between Mr. Hull and Mr. Calero and myself.

Mr. EGGLESTON. What was the purpose of that meeting?

Mr. OWEN. John Hull was willing to do anything that he could to help the remnants of the Southern Front and Adolfo Calero asked him if he would provide humanitarian assistance to the Southern Front. Mr. Hull agreed and a deal was worked out where Adolfo Calero provided $10,000 a month to a bank account for Mr. Hull to use to provide food and humanitarian goods to the, as I said, the remnants of the Southern Front.

Mr. EGGLESTON. I take it, as a result of this meeting, you must have shortly thereafter decided to leave Gray & Company?

Mr. OWEN. Yes, I did. I gave my notice, and I think at the end of November I left.

Mr. EGGLESTON. And by that time, Gray & Company and Mr. Calero had already agreed that Gray & Company would not be doing any business?

Mr. OWEN. Yes.

Mr. EGGLESTON. With the Contras, is that correct?

Mr. OWEN. That is correct.

Mr. EGGLESTON. Did you return back to Central America in mid-November of 1984?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Did you have occasion before you went down to meet with Colonel North?

Mr. OWEN. Yes. I believe he called me into his office and I went over to talk with him.

Mr. EGGLESTON. At this time his office was in the Old Executive Office Building; is that correct?

Mr. OWEN. Yes, not the basement of the White House as many assume.

Mr. EGGLESTON. And you met with him in his office?

Mr. OWEN. Yes.

Mr. EGGLESTON. And without giving us any specifics about what the operation was about, did he give you anything at that time to take with you down to Central America?

Mr. OWEN. Yes, he provided some photographs and some maps.

Mr. EGGLESTON. And the maps and photographs were in connection with what was going to be a specific military operation?

Mr. OWEN. It had not been decided but there was the potential that an operation would be mounted, that this information and intelligence would be most important for it to succeed.

Mr. EGGLESTON. And just generally, the idea was to destroy some military equipment which belonged to the Sandinistas?

Mr. OWEN. Yes.

Mr. EGGLESTON. And these maps and photographs were to help out in that specific military operation that the Contras then were going to undertake?

Mr. OWEN. Yes, without them it probably wouldn't have been successful. Even with them, it was doubtful it would be successful.

Mr. EGGLESTON. Do you know whether the mission was ever undertaken?

Mr. OWEN. No, it was not.

Mr. EGGLESTON. Do you know why the mission was not undertaken?

Mr. OWEN. It was felt it was probably too risky.

Mr. EGGLESTON. Was the decision not to undertake that mission made after the maps were received, reviewed?

Mr. OWEN. I believe so, yes.

Mr. EGGLESTON. Let me ask you, do you have any idea or did you know at the time where Colonel North had obtained the maps?

Mr. OWEN. I didn't know specifically, but I think he said something that—like he got them from across the river.

Mr. EGGLESTON. And is that an expression that Colonel North used on occasion?

Mr. OWEN. Occasionally.

Mr. EGGLESTON. And he on occasion said "across the river," and sometimes he would say "up the river"?

Mr. OWEN. Yes.

Mr. EGGLESTON. And where did you—when he used those expressions, where did you understand him to be referring to?

Mr. OWEN. Either to the Pentagon or to Langley.

Mr. EGGLESTON. And Langley is the location of the CIA?

Mr. OWEN. Yes, it is.

Mr. EGGLESTON. To whom did you take the maps on that occasion?

Mr. OWEN. I flew into Honduras and met with a Aldolfo Calero at Teguciagalpa.

Mr. EGGLESTON. You provided him with the maps?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Did you discuss with him, without giving us any details, discuss with him the specific military operation?

Mr. OWEN. Briefly, just very briefly. I told him what Colonel North's thoughts were and also what he thought the possibilities of success were.

Mr. EGGLESTON. So you and Colonel North had had a conversation about whether or not and how the Contras might be able to undertake this particular mission; is that correct?

Mr. OWEN. Yes, we had a conversation about the possibility.

Mr. EGGLESTON. And was it Colonel North's view that the Contras should, in fact, undertake the mission?

Mr. OWEN. His view was that it probably would be a suicide mission, but it might save lives in the end.

Mr. EGGLESTON. So that the mission should, in his view—he was advising the Contras to undertake the mission?

Mr. OWEN. I don't think that is correct. I think he was leaving that up to the Contras to make that decision.

Mr. EGGLESTON. But he in any event offered his advice about this mission and what the up sides and down sides of it might be?

Mr. OWEN. He gave it his overview, yes.

Mr. EGGLESTON. Mr. Owen, in mid—excuse me, mid-February of 1985, did you take additional maps down to Central America?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And that was again a trip that was preceded by a meeting with Colonel North?

Mr. OWEN. Yes.

Mr. EGGLESTON. And where did that meeting take place?

Mr. OWEN. Again, in his office.

Mr. EGGLESTON. And at the Old Executive Office Building?

Mr. OWEN. Yes.

Mr. EGGLESTON. And again, without giving us any details about what the maps disclosed, where did you actually receive the maps from him?

Mr. OWEN. He called me over to meet him early one morning in the situation room at the White House. He had a meeting and that was the best place where we could get together. So actually I was outside, I was not exactly in the situation room.

Mr. EGGLESTON. It was right outside the situation room.

Mr. OWEN. Yes.

Mr. EGGLESTON. And that is a room that is located in the White House; is that correct?

Mr. EGGLESTON. I suppose that room could almost be described as in the basement of the White House; is that correct?

Mr. OWEN. Yes.

Mr. EGGLESTON. That is a room where the National Security Council meets on occasion?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you, in fact, receive maps from him on that occasion?

Mr. OWEN. No, I didn't. The maps that they gave me were set up on a poster board, and it would have been difficult to walk through an airport with such a large poster board, three-by-five feet.

Mr. EGGLESTON. So, the maps provided to you to take down presumably surreptitiously to the Contras were mounted on poster board?

Mr. OWEN. Yes, they were.

Mr. EGGLESTON. I take it that Colonel North was as surprised as you were to find that they were mounted on a poster board?

Mr. OWEN. Yes, he was, and he had some choice words for the people who provided it for me.

Mr. EGGLESTON. Did he indicate that the people who had provided those things were in his view incompetent?

Mr. OWEN. I believe that might have been one of his words.

Mr. EGGLESTON. Did he again refer to the people across the river or the people up the river when he made a reference to that?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you eventually come up with maps which were capable of being transported on the airplane to Central America?

Mr. OWEN. Yes, we decided to postpone my leaving, and he sent the material back to where he had gotten it from, and asked them to redo it, and put it in a size format so I could carry it down somewhat surreptitiously.

Mr. EGGLESTON. Did you then meet again with Colonel North in order to obtain the maps from him?

Mr. OWEN. Yes.

Mr. EGGLESTON. Where did that meeting take place?

Mr. OWEN. In his office in the Old Executive Office Building.

Mr. EGGLESTON. And you got the maps from him?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you have a discussion with him on this occasion about the maps and the operations in connection with the maps?

Mr. OWEN. Briefly. He was very concerned because there was a buildup of Sandinista forces along the Honduran-Nicaraguan border, and the maps were involved with that.

Mr. EGGLESTON. Will you direct your attention to exhibit RWO-3, which is also in the book in front of you? Again, in the bottom right-hand corner, there is an indication that this document was found in Colonel North's office?

[The exhibit appears at p. 780.]

Mr. OWEN. Yes.

Mr. EGGLESTON. Have you seen this document in unredacted form?

Mr. OWEN. Yes. You showed it to me.

Mr. EGGLESTON. Does the document in unredacted form disclose handwriting, if you recall?

Mr. OWEN. As I recall, it did.

Mr. EGGLESTON. Did you identify that as the handwriting of Colonel North?

Mr. OWEN. Yes.

Mr. EGGLESTON. This document is addressed to my friend, and on page 3, it is typed, "In Warm Regards, Steel Hammer"; is that correct?

Mr. OWEN. Yes.

Mr. EGGLESTON. Do you know, from reading the document, do you have an opinion about to whom this letter—actually, this was probably a draft of a letter—was sent?

Mr. OWEN. It would have been to Adolfo Calero.

Mr. EGGLESTON. And the signature Steelhammer, to whom did that refer?

Mr. OWEN. That was one of North's code names.

Mr. Eggleston. Did Adolfo Calero also have code names?

Mr. Owen. Occasionally, we called him Spark Plug.

Mr. Eggleston. Did you have a code name for yourself?

Mr. Owen. I would usually sign my memos "T.C."

Mr. Eggleston. What did T.C. stand for?

Mr. Owen. The Courier.

Mr. Eggleston. If I can direct your attention back to the first paragraph, it says in the first line, "This brief letter is being delivered via a trusted courier, who has no knowledge of its contents.".

Having read this letter, particularly in its unredacted form, do you have an opinion of when it is you may have carried this letter?

Mr. Owen. If I did carry it, it would have been at the same time I took the maps down with me.

Mr. Eggleston. Because various items refer to those maps, is that correct?

Mr. Owen. Yes.

Mr. Eggleston. At the bottom of the page, the paragraph that begins,

> Next week, next week a sum in excess of $20 million will be deposited in the usual account. While this must be husbanded carefully, it should allow us to bridge the gap between now and when the vote is taken, and the funds are turned on again.

Were you aware that $20 million had been deposited into an account on behalf of the Contras?

Mr. Owen. No, I was not.

Mr. Eggleston. Had you had any discussion whatsoever with Colonel North about whether or not the Contras were about to receive any sum of money?

Mr. Owen. Not that I can remember. The discussion of funds for the Contras was always something that was of concern to him.

Mr. Eggleston. But you don't recall any specific discussion with him that the Contras were about to receive a large sum of money?

Mr. Owen. No.

Mr. Eggleston. Let me direct your attention to page 2 of this document, and maybe I could summarize it. You have previously read this, is that correct?

Mr. Owen. Yes.

Mr. Eggleston. Would it be fair to say that at page 2, Colonel North refers to establishing a regular resupply program for the Contras?

Mr. Owen. Yes.

Mr. Eggleston. Does he also recommend to Mr. Calero that $9 to $10 million of this $20 million sum be set aside for nothing but logistics?

Mr. Owen. Yes, it does.

Mr. Eggleston. Further up on the page, he refers to how Mr. Calero should deploy his troops, is that also correct?

Mr. Owen. Yes, it was a suggestion.

Mr. Eggleston. Now, the very bottom paragraph of page 2 of RWO-3 reads,

> This new money will provide greater flexibility we have not enjoyed to date. I would urge you to make use of some of it for my British friend and his services for special operations. I can produce him at the end of this month.

[The exhibit appears at p. 780.]

Do you see that?

Mr. OWEN. Yes, I do.

Mr. EGGLESTON. Had you had conversations with Colonel North about his British friend?

Mr. OWEN. No, not at that time.

Mr. EGGLESTON. At a subsequent time did you have conversations with him about a British friend?

Mr. OWEN. Yes, in passing.

Mr. EGGLESTON. Did he tell you what his British friend was doing for the Contras?

Mr. OWEN. He suggested that his British friend and some of his people had been involved in what I guess you would call sabotage work in Nicaragua.

Mr. EGGLESTON. Is it fair to say that he described them as Contractors for him?

Mr. OWEN. I don't think it is fair to say they were Contractors for him, but he did say that he knew about what they were doing.

Mr. EGGLESTON. Page 3, the last paragraph reads:

> Please do not in any way make anyone aware of the deposit. Too much is becoming known by too many people. We need to make sure that this new financing does not become known. The Congress must believe that there continues to be an urgent need for funding.

Did you have discussions with him at all at any time about this issue set forth in the last paragraph?

Mr. OWEN. No.

Mr. EGGLESTON. You don't recall any discussions about that?

Mr. OWEN. I don't recall any.

Mr. EGGLESTON. You recall, though, that this is a document—rather recall, from the context you believe that this was probably a document that if you took down with you you would have taken down with you in February or so of 1985?

Mr. OWEN. Yes.

Mr. EGGLESTON. Now, at this same trip do you recall whether you brought anything back with you from Mr. Calero, from Contra leaders, back to Colonel North?

Mr. OWEN. I believe that I brought back a weapons list.

Mr. EGGLESTON. And could you describe what you mean by a weapons list? What is it that you brought back with you?

Mr. OWEN. If memory serves me right, it was a list of needs that the Contras had of arms and munitions.

Mr. EGGLESTON. Do you have any recollection today what was on the list?

Mr. OWEN. As with all lists that they had, it would have been small arms and munitions, light machine guns, AK-47s and ball ammunition.

Mr. EGGLESTON. When you got this list from Mr. Calero did you give the list to Colonel North?

Mr. OWEN. I shared it with him, yes.

Mr. EGGLESTON. Did you go over it with him?

Mr. OWEN. It was very simple. All the numbers and the quantities were right there.

Mr. EGGLESTON. What did you understand that Colonel North was going to do with the list?

Mr. OWEN. Probably see how he might be able to have some people fulfill those needs.

Mr. EGGLESTON. I take it it was your understanding that that is the reason that Adolfo Calero provided the list to you, so that you could get it up to Colonel North, so he could fulfill those ammunition needs, is that correct?

Mr. OWEN. I think so. I think also that Adolfo wanted to keep Colonel North informed as to what was going on and as to what his needs were, in a purely intelligence way as well.

Mr. EGGLESTON. But certainly Mr. Calero had need for those weapons and wanted Colonel North to obtain them for him if he could?

Mr. OWEN. Or at least find someone who could.

Mr. EGGLESTON. Have you referred to Colonel North as the quartermaster of the Contras?

Mr. OWEN. I may have said that, yes.

Mr. EGGLESTON. Let me direct your attention now to the spring of '85. In the spring of '85 did you begin making a series of cash payments to various Contra leaders?

Mr. OWEN. On several occasions.

Mr. EGGLESTON. Let me direct your attention first to about March of '85. Was there a particular Contra leader who would be receiving funds from the United States Government and those funds were going to be cut off?

Mr. OWEN. Yes. There was a concern that since he had been receiving funds and they were from an agency, the thought was that it would be best if he received funds elsewhere.

Mr. EGGLESTON. Did you have a conversation with Colonel North about this problem?

Mr. OWEN. Yes. He asked me to do some work for him.

Mr. EGGLESTON. When you say that Colonel North asked you to do some work for him, what is it that he asked you to do?

Mr. OWEN. He asked me to go change travelers checks into dollars.

Mr. EGGLESTON. What did he want you to do with the dollars?

Mr. OWEN. Once I completed the transaction, I set up an appointment with the Contra leader and paid him with the cash.

Mr. EGGLESTON. When you first had the conversation with Colonel North about you cashing thee checks, where were you?

Mr. OWEN. In the Old Executive Office Building in his office.

Mr. EGGLESTON. Did he hand you the travelers checks in his office?

Mr. OWEN. Yes, he did.

Mr. EGGLESTON. Did you see where he got the travelers checks from?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Where did he get the travelers checks from?

Mr. OWEN. Out of a safe in his office. Unfortunately, it must have been an unlucky safe. It was the safe where the thousand dollars for Richard Allen was found.

Mr. EGGLESTON. I take it you know that because Colonel North told you that?

Mr. OWEN. Yes.

Mr. EGGLESTON. Indeed did Colonel North make a joke about that?

Mr. OWEN. He did.

Mr. EGGLESTON. Did he on several occasions joke about the fact that the safe where he was keeping these travelers checks was the same safe Mr. Allen had used?

Mr. OWEN. He made some comments to that effect.

Mr. EGGLESTON. I take it you don't know whether that was the same safe Mr. Allen uses?

Mr. OWEN. It makes a nice story.

Mr. EGGLESTON. This is based on what Mr. North said to you?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you, in fact, cash these travelers checks?

Mr. OWEN. I did.

Mr. EGGLESTON. Cash them in our own name?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you, in fact, give them to a contra leader?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Where did you give it to the contra leader?

Mr. OWEN. In my apartment.

Mr. EGGLESTON. Was anyone else present at that time you provided the funds to the contra leader?

Mr. OWEN. No.

Mr. EGGLESTON. What was the amount of the funds that you provided?

Mr. OWEN. I am not sure whether it was six or seven thousand dollars.

Mr. EGGLESTON. Was there anyone else present at the time that you received the travelers checks from Colonel North?

Mr. OWEN. Yes.

Mr. EGGLESTON. Who was that?

Mr. OWEN. An individual named Jonathan Miller.

Mr. EGGLESTON. What was Jonathan Miller's position at that time?

Mr. OWEN. At that time he was either on loan to the NSC or working out of the State Department from the Office of Public Diplomacy for Latin America.

Mr. EGGLESTON. Did Mr. Miller also cash checks?

Mr. OWEN. It was felt that there were probably too many checks for me to cash in the amount of time that I had, so he did cash some travelers checks.

Mr. EGGLESTON. Do you have a recollection of the dollar amount that you cashed as opposed to the dollar amount Mr. Miller cashed?

Mr. OWEN. I think he may have done $3,000 and I did $4,000 or both did $3,500 or 3,000 and 3,000.

Mr. EGGLESTON. Did you go together to cash the checks?

Mr. OWEN. No. We went our separate ways.

Mr. EGGLESTON. And you then met back someplace where you received the cash from him?

Mr. OWEN. Yes.

Mr. EGGLESTON. Where did you meet back?

Mr. OWEN. I believe we met at Colonel North's office.

Mr. EGGLESTON. Was Colonel North there?

Mr. OWEN. I don't remember.

Mr. EGGLESTON. But Mr. Miller gave you the cash and you then made the appointment to pay the money to the contra leader?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you make any other payments to this contra leader?

Mr. OWEN. No, not directly to him.

Mr. EGGLESTON. Did you know whether Colonel North made any arrangements to make further payments to this contra leader?

Mr. OWEN. There was a discussion that the contra leader wanted to find a way that he could both be paid to continue with the Nicaraguan resistance and do some work for the pay that he was receiving. I believe Colonel North may have talked to some various foundations to see if there was some work available for him.

Mr. EGGLESTON. Did you have any conversation with Colonel North about the reason that the U.S. Government could no longer pay this contra leader?

Mr. OWEN. It was a concern of Members on the Hill that if this person was receiving funds from a U.S. agency that it would be illegal for him to be up on the Hill.

Mr. EGGLESTON. And for that reason, Colonel North needed to obtain an alternative source of funding, is that correct?

Mr. OWEN. I believe it was the wish of the contra leader to find an alternative source of funding.

Mr. EGGLESTON. Do you know where Colonel North obtained the travelers checks that were located in his safe?

Mr. OWEN. I believe they were travelers checks provided to him by Adolfo Calero. Came up to see him.

Mr. EGGLESTON. Do you know how the checks got from Calero up the Colonel North?

Mr. OWEN. He brought them with him when he came up to see him.

Mr. EGGLESTON. Did you ever act as a currier?

Mr. OWEN. No, but on a couple of occasions I would ask Calero to provide some more travelers checks for Colonel North.

Mr. EGGLESTON. Did you see inside of the safe?

Mr. OWEN. No.

Mr. EGGLESTON. You don't know how many travelers checks were inside the safe?

Mr. OWEN. No, I don't think there was ever a tremendous amount, because there was always a concern of being short of money.

Mr. EGGLESTON. So, there were not an enormous number of travelers checks.

Mr. OWEN. I don't think so.

Mr. EGGLESTON. But on occasion Colonel North's supply of travelers checks would be replenished by Adolfo Calero?

Mr. OWEN. That was my understanding.

Mr. EGGLESTON. I take it that you made payments to a number of different contra leaders in the spring of 1985.

Mr. OWEN. Yes.

Mr. EGGLESTON. Again, let me ask you, in the spring of 1985, did you make a payment in cash to a contra leader in order to induce that contra leader to join the team, the southern resistance front?

Mr. OWEN. I think that may be an unfair assessment. I did provide some financial assistance to one of the contra leaders who was having negotiations at one time with the Sandinistas.

It was felt that if his negotiations were not successful that there was a need to unite all the factions of the Indian movement, and he was one of the leaders of the Indians.

Mr. EGGLESTON. Where is it that you gave him this cash?

Mr. OWEN. Here in Washington in my car.

Mr. EGGLESTON. Where was your car?

Mr. OWEN. Parked on the street. I don't remember where. I don't mean to be flippant. I'm sorry.

Mr. EGGLESTON. The two were sitting in your car together?

Mr. OWEN. Yes.

Mr. EGGLESTON. And you passed him an envelop full of cash.

Mr. OWEN. It was either cash or travelers checks, I forget which.

Mr. EGGLESTON. Did you tell him whether he could expect additional payments?

Mr. OWEN. Yes, I said that the powers that be wanted to continue to support him as best we could. We wanted to help him in any way so that he could help his people.

The Indian movement that he was representing had gotten very little support since the money was cut off back in 1984, and they were surviving on next to nothing.

This was a hope that we could provide them some subsistence.

Mr. EGGLESTON. How much money did you provide him on this occasion?

Mr. OWEN. I think several thousand dollars.

Mr. EGGLESTON. Did you indicate to him that he would continue to receive a regular amount of money?

Mr. OWEN. Yes. I told him that the hope was that we would be able to continue providing assistance to him. There was, in a way, a quid pro quo.

Mr. EGGLESTON. And the quid pro quo was that he would join up with the other contra leaders in the south and unite?

Mr. OWEN. The feeling was that if he went to negotiations with the Sandinistas and he walked out of them, because he believed they would not be successful, that we would try and help him and help the other members of the Indian movement unite and work together in a united front against the Sandinistas.

Mr. EGGLESTON. If he had agreed to do that, you—and I take it you had a conversation with Colonel North about this initiative, is that correct?

Mr. OWEN. It was told that we would work out a way to provide further funding for him.

Mr. EGGLESTON. Do you know whether additional funds were paid to him?

Mr. OWEN. On at least one or two other occasions, I provided some more subsistence.

Mr. EGGLESTON. Did you take a trip to Central America in mid-March of 1985?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Did you take cash with you on that occasion?

Mr. OWEN. Are you referring to March 22?

Mr. EGGLESTON. Yes.

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. How much cash did you take with you on that occasion?

Mr. OWEN. Several thousand dollars.

Mr. EGGLESTON. The previous occasion where you provided money to the contra leader in your car, where had you obtained either the cash or the traveler's checks?

Mr. OWEN. Again, from Colonel North.

Mr. EGGLESTON. On this occasion when you went down to Central America with some cash, where is it that you had obtained the cash?

Mr. OWEN. From Colonel North.

Mr. EGGLESTON. So that I am clear, did you obtain cash from North or traveler's checks?

Mr. OWEN. It always would have been traveler's checks. I may have cashed them. They would have difficulty cashing traveler's checks in Central America. They oftentimes didn't have identity needed for the banks to accept them.

Mr. EGGLESTON. So, you would cash them up here and take the cash down with you; is that correct?

Mr. OWEN. Occasionally, yes.

Mr. EGGLESTON. This payment to the contra leader on this trip on March 20 to 24 of 1985, this was a payment that you made at the direction of Colonel North?

Mr. OWEN. Yes, it was.

Mr. EGGLESTON. Mr. Owen, I want to ask you about another payment of cash that you made here in Washington, D.C., also in the spring of 1985. Do you recall an additional payment that you made on the street?

Mr. OWEN. Yes. I believe it was in April I met outside the Old Executive Office Building, and handed over an envelope to another Indian leader who was in town and needed assistance to help with his food bills and hotel bills, and just to keep alive.

Mr. EGGLESTON. Where did you get the cash?

Mr. OWEN. Again, from Colonel North.

Mr. EGGLESTON. You got traveler's checks from North?

Mr. OWEN. Traveler's checks and cash, I believe, were in the envelope.

Mr. EGGLESTON. So at the time you received it from Colonel North, you received an envelope?

Mr. OWEN. Yes.

Mr. EGGLESTON. Where did you go with the envelope?

Mr. OWEN. An arrangement had been made that they would drive by the old Executive Office Building. It was a cold, rainy night, and I passed the envelope to him in the car.

Mr. EGGLESTON. You were standing outside?

Mr. OWEN. Yes.

Mr. EGGLESTON. And his car pulled up?

Mr. OWEN. He was being taken around by several Americans.

Mr. EGGLESTON. Did you have any conversation with him?

Mr. OWEN. No. I knew who he was and who the American was that was with him.

Mr. EGGLESTON. You simply handed him the cash through the window of his car?

Mr. Owen. They knew it was for his assistance, so there didn't need to be any conversation, really.

Mr. Eggleston. You say that they knew. I take it the contra leader knew?

Mr. Owen. I believe the American knew, because he had tried to help this contra leader, as well, with funding.

Mr. Eggleston. Do you think that this American knew that there was cash in the envelope that was being passed?

Mr. Owen. I think he may have.

Mr. Eggleston. Do you think that he knew that it came from Colonel North?

Mr. Owen. That I don't know. I would suspect that he probably did.

Mr. Eggleston. In May of '85 you again went to Central America, May 16 to 19?

Mr. Owen. Yes.

Mr. Eggleston. Again you took money with you?

Mr. Owen. I did.

Mr. Eggleston. On this occasion it was several thousand dollars?

Mr. Owen. Yes.

Mr. Eggleston. Did you bring anything back with you from this trip?

Mr. Owen. I may have. I think you are leading up to something.

Mr. Eggleston. Let me just ask you to direct your attention to RWO-6. Do you have RWO-6 before you?

[The exhibit appears at p. 796.]

Mr. Owen. Yes, sir, I do.

Mr. Eggleston. Page 1 of RWO-6 is a handwritten document. Is that in your handwriting?

Mr. Owen. Yes, it is.

Mr. Eggleston. I indicate to you that there is a symbol on the front of this—it looks like 65 or so; another symbol, which indicates that this document was found in Colonel North's office. Page 2 is a document which reads "Priority List," is that correct?

Mr. Owen. Yes.

Mr. Eggleston. Although the numbers have now been redacted, is this a list of weapons that a contra leader wanted?

Mr. Owen. Yes, it is.

Mr. Eggleston. And is this a list that you picked up from the Contra leader and brought back to Colonel North?

Mr. Owen. I believe so.

Mr. Eggleston. And you went over these amounts with Colonel North?

Mr. Owen. I gave him the document and it was pretty plain to see what it was, that it was necessary.

Mr. Eggleston. And again, it was your understanding that he would provide, or at the same time provide or find someone to provide these weapons for the Contra leader if he could?

Mr. Owen. Yes.

Mr. Eggleston. I think that this document on page 2, makes reference to bullets for AK-47s, bullets for M-14s, M-16s, reference to mortars and grenades. Do you recall going over this particular list with Colonel North?

Mr. Owen. Not really, but I am sure I did, seeing as how it has my handwriting on it, and I remember such a list.

Mr. Eggleston. Does the list in fact have your handwriting on the last page of it?

Mr. Owen. Yes, it does.

Mr. Eggleston. What was written at the very bottom is your handwriting?

Mr. Owen. It is. These three names are three Indian Commandos, who the hope was that they would be able to come up through Miami to participate in a meeting, either that or potentially go to Honduras.

Mr. Eggleston. Let me direct your attention to early June of '85. I take it by this time you are back in the United States?

Mr. Owen. Yes.

Mr. Eggleston. In early June of '85, did you take a trip out to the Denver area?

Mr. Owen. Yes. I flew to Denver and drove to Tabernash to meet with General Singlaub.

Mr. Eggleston. Did you take this trip at the request of Colonel North?

Mr. Owen. I don't think it was necessarily at the request of Colonel North. General Singlaub and I had become friends over a period of time and he was having a meeting with some different people and he thought it would be wise if I would attend. I talked to Colonel North about it and he thought also it would be a good idea.

Mr. Eggleston. But if not at the request of Colonel North, you discussed this meeting with him prior to the time that you went to the meeting; is that correct?

Mr. Owen. Yes, I did.

Mr. Eggleston. You met with Mr. Singlaub in the Denver area?

Mr. Owen. Yes, I drove up to his home.

Mr. Eggleston. Were there others at the meeting?

Mr. Owen. I arrived there on one evening and then the next day four or five people arrived for a meeting which lasted most of the day.

Mr. Eggleston. Who were the people that arrived for that meeting?

Mr. Owen. Robert K. Brown, a soldier of fortune, Ed Deerborne, and several other people from Soldier of Fortune.

Mr. Eggleston. Did you have a discussion with General Singlaub during the course of the meeting or the time that you were there about weapon procurements for the contras?

Mr. Owen. Yes, he was in the process of putting together a purchase for the contras of arms and munitions.

Mr. Eggleston. Did you discuss it with him?

Mr. Owen. Yes, I did.

Mr. Eggleston. Did you go over a list with him?

Mr. Owen. Yes. Time was growing short and he needed a final decision on some of the amounts and the types of weapons that he needed.

Mr. Eggleston. Was this a weapons purchase that he was putting together for Mr. Calero?

Mr. Owen. Yes, it was.

Mr. EGGLESTON. And what he needed was for there to be a verification of the amount of weapons and various things that would be required?

Mr. OWEN. Yes. They were talking about over $5 million to be purchased and he wanted to be sure that he was purchasing exactly what Adolfo Calero needed.

Mr. EGGLESTON. What did this list look like?

Mr. OWEN. Are you talking about what types of arms were on it?

Mr. EGGLESTON. Yes.

Mr. OWEN. They were talking about purchasing 10,000 AK-47s, a million rounds of AK ammunition, hand grenades, mortar rounds, things like that.

Mr. EGGLESTON. Do you remember anything else on the list?

Mr. OWEN. General Singlaub thought that he had an opportunity to buy some SA-7s, ground-to-air anti-aircraft missiles.

Mr. EGGLESTON. Excuse me. If you could just tell us what is an SA-7?

Mr. OWEN. It is a ground-to-air Soviet-made missile that is used to bring down planes or helicopters.

Mr. EGGLESTON. And this was—was there anyone else involved in this weapons purchase?

Mr. OWEN. General Singlaub may have had some associates that were involved.

Mr. EGGLESTON. Do you know any of the associates involved?

Mr. OWEN. I believe so.

Mr. EGGLESTON. And do you recall one, in particular?

Mr. OWEN. One was a woman by the name of Barbara Sudley who I think was basically acting as a facilitator and not necessarily directly involved in the procurement.

Mr. EGGLESTON. After going over this list of weapons with General Singlaub, where did you go?

Mr. OWEN. I knew that Adolfo Calero was going to be speaking at San Francisco, and General Singlaub thought it would be a good idea if I flew out there and met with him and go over the arms list, and then get back in touch with him and come back with a definitive answer on some of the things he had.

Mr. EGGLESTON. And did you?

Mr. OWEN. Yes.

Mr. EGGLESTON. You flew out to San Francisco?

Mr. OWEN. Yes, I flew out to San Francisco and listened to his speech and then met him afterwards.

Mr. EGGLESTON. You met Mr. Calero afterwards?

Mr. OWEN. Yes.

Mr. EGGLESTON. Where did you meet him?

Mr. OWEN. He was very busy. He had several meetings. He was traveling around with a couple San Franciscans who had put together this speech, which I believe was in front of the Commonwealth Club.

I wanted to go meet in a private room or just go off somewhere alone for a few minutes. He felt he didn't have the time, so we got in the back seat of the car which was driven by one of his hosts, and we had to go off and drop something off somewhere, so he just asked me to come along.

Mr. EGGLESTON. So, you rode around in the back seat of the car with him?

Mr. OWEN. Yes, I had a yellow manila pad with the list on it, and there were particular numbers corresponding with each of the munitions that were needed or were in question, and we went over that list.

Mr. EGGLESTON. Just so I understand, you had the munitions list with you at that time?

Mr. OWEN. Yes, I did. I brought it from Colorado.

Mr. EGGLESTON. And you went over the list with Mr. Calero?

Mr. OWEN. Yes.

Mr. EGGLESTON. And that was in order to verify for General Singlaub the precise quantities and types of weapons that Mr. Calero wanted?

Mr. OWEN. Yes.

Mr. EGGLESTON. And you did that with Mr. Calero; is that correct?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And you agreed on a final amount?

Mr. OWEN. Yes.

Mr. EGGLESTON. Did you have occasion to call anyone during the period of time that you were driving around in the back of the car?

Mr. OWEN. I would say about 20 minutes into the ride we pulled off to a pay phone, and I placed a call to Colonel North.

Mr. EGGLESTON. A call was made?

Mr. OWEN. Yes, to Colonel North.

Mr. EGGLESTON. Where was Colonel North at the time?

Mr. OWEN. I believe he was in his office.

Mr. EGGLESTON. At the old Executive Office Building?

Mr. OWEN. Yes.

Mr. EGGLESTON. And I take it you could here Mr. Calero's side of the conversation?

Mr. OWEN. I talked with Colonel North earlier in the day, and he asked me to have Adolfo call him, so I talked with him for a minute and put Adolfo on.

Mr. EGGLESTON. Among the things that they talked about, did they talk about this weapons purchase?

Mr. OWEN. I think they mentioned it in guarded language without going into specifics, because it was over an open phone line.

Mr. EGGLESTON. So, would it be fair to say they talked to each other over this open phone line in some sort of a code?

Mr. OWEN. Not really in a code, but just would talk around things and not be specific.

Mr. EGGLESTON. I take it they were not willing to mention 10,000 AK-47s over the telephone.

Mr. OWEN. No.

Mr. EGGLESTON. Did you also call General Singlaub?

Mr. OWEN. I don't believe I was with Mr. Calero at the time, but later I did call General Singlaub.

Mr. EGGLESTON. And were you able to communicate to General Singlaub the final figures that were required?

Mr. OWEN. Yes. I gave him the coded list. We had worked out a code before I left of certain numbers corresponding to certain munitions and I gave him the responsibility—I should say, gave him the numbers that we needed.

Mr. **Eggleston**. Did you then return to Washington?

Mr. **Owen**. Yes, I did.

Mr. **Eggleston**. Did you have occasion to discuss this list with Colonel North?

Mr. **Owen**. Within a day or two, I went into be with Colonel North, and I took in a copy of the list and told him what it was that was being purchased.

Mr. **Eggleston**. Did you talk to him at all about the list?

Mr. **Owen**. We discussed it a little bit and discussed the prices and so forth.

Mr. **Eggleston**. Do you recall whether you discussed any single ticket item that was on the list?

Mr. **Owen**. I believe we had a conversation about the SA-7s.

Mr. **Eggleston**. Do you recall what Mr. Calero had said about the SA-7s?

Mr. **Owen**. Yes, he had hoped to get the British Blowpipe. He felt that would be more effective, so the decision was made not to purchase what could have been a fairly sizeable quantity because of the cost and also the hope that they would be able to get the Blowpipe.

Mr. **Eggleston**. Did you discuss this particular issue of the relative costs or merits of the Blowpipe as opposed to the SA-7 with Colonel North?

Mr. **Owen**. We discussed it, yes.

Mr. **Eggleston**. What did Colonel North have to say about that?

Mr. **Owen**. I think he probably agreed that the Blowpipe would have been a better weapon for them.

Mr. **Eggleston**. Did he indicate to you that he was or had a source for Blowpipes or was pursuing a source for Blowpipes?

Mr. **Owen**. I believe he may have.

Mr. **Eggleston**. And that he was going or working or trying to obtain them from a third country?

Mr. **Owen**. Yes.

Mr. **Eggleston**. And so he generally agreed that Calero should not buy the SA-7s, I take it?

Mr. **Owen**. Yes. Again, there was a concern about the costs and the amount of money that this purchase was going to entail.

Chairman **Hamilton**. I am advised by counsel that he has approximately a half hour left to question Mr. Owen. Under those circumstances, I think the committee should now recess until Tuesday at 10:00 o'clock.

I recognize Chairman Inouye for a question.

Chairman **Inouye**. No, that is fine, Mr. Chairman.

Chairman **Hamilton**. The committees will assemble again at 10:00 o'clock a.m. on Tuesday in the Russell Senate Office Building, the caucus room, and our witness, following Mr. Owen, will be Mr. Calero.

We stand in recess.

[Whereupon, at 5:00 p.m., the committees adjourned, to reconvene at 10:00 a.m. on Tuesday, May 19, 1987.].

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Robert W. Owen

TUESDAY, MAY 19, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The select committees met, pursuant to call, at 10:00 a.m., in Room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

When we last recessed, Mr. Eggleston was questioning the witness. Just to remind the witness that you are still under oath.

Mr. OWEN. Yes, sir.

Chairman INOUYE. Before proceeding, Senator Rudman has a question.

Mr. RUDMAN. Thank you, Mr. Chairman.

I would like to direct a question to counsel for the House Committee, Mr. Nields. I believe that it has been two weeks since General Secord testified, and at the time he was asked whether or not he would consider giving us the waiver to look at those bank records.

I also asked him whether he might return that money, which is approximately $8 million. I am particularly interested in the waiver, because if General Secord's testimony was candid and truthful, I would expect those records would verify what he testified to; so my question to Mr. Nields is, one, do we have the waiver; two, do we have the money?

Mr. NIELDS. We do not have the waiver. Mr. Secord has not advised the committees whether he will execute the waiver; and we do not have the money.

Mr. RUDMAN. I thank you very much, Mr. Nields; and thank you, Mr. Chairman.

Chairman INOUYE. Thank you.

Mr. Eggleston?

Mr. EGGLESTON. Thank you, Mr. Chairman.

Mr. Owen, last Thursday when you were testifying before the committee, you testified to a number of different trips that you took to Central America, meetings that you had with Colonel North, with Mr. Calero and others.

I take it that during the course of your testimony, you were not testifying to all of the meetings that you had, or all of the trips that you took to Central America; is that correct?

Mr. OWEN. No, sir, I was not.

Mr. EGGLESTON. And, Mr. Owen, you also testified on Thursday to a number of different payments that you made to various Contra leaders; and I think that you testified to a series of different ones.

Let me ask you a slightly different question. Do you know how many Contra leaders you paid in total; how many different leaders you paid?

Mr. OWEN. If you can wait a minute, I can count them just in my head.

Mr. EGGLESTON. OK.

Mr. OWEN. Somewhere between six and 10, and I think the word "leader" can be used in a variety of different terms.

Mr. EGGLESTON. And, what is the total amount of money that you think you paid, the money that you received from Colonel North and then paid on?

Mr. OWEN. Somewhere around $30,000, more or less.

Mr. EGGLESTON. You also, I think, testified to a particular event which took place outside the Old Executive Office Building, where you paid money through the window of a car, and I think that you testified at that time that there was an American in the car, and you thought that he knew the purpose of the payment, and also, you thought me might have known that it came from Colonel North; do you recall that testimony?

Mr. OWEN. Yes, sir, I do.

Mr. EGGLESTON. And who was the American who was in the car?

Mr. OWEN. I can't remember right offhand; I will think about it during the testimony, it will probably come to me, I am sorry.

Mr. EGGLESTON. Do you recall his position?

Mr. OWEN. He was with a conservative activist group in town, it was either Citizens for Reagan or Citizens for America; I believe his name was Peter Flaherty.

Mr. EGGLESTON. You also testified about the method by which Colonel North got the travelers checks from Mr. Calero; and I think your testimony was that you did not personally, as best that you knew, carry any money between Calero—or travelers checks between Calero and Colonel North.

Are you certain about that testimony?

Mr. OWEN. Over the weekend, I obviously had a great deal of time to think about it, and there may have been one or two occasions when I did bring up an envelope. I did not necessarily know that there were travelers checks in it, but there may well have been, and I just can't say one way or the other.

Mr. EGGLESTON. And just one more question on this payment issue. Did Colonel North have a method by which he kept track of the amount of travelers checks that he was giving to you?

Mr. OWEN. Yes, sir. He had a ledger that he kept track of every travelers check that he gave me, from the serial numbers to the amount and where it was going. And I would just like to add here that there have been a lot of reports in the press, but Adolfo

Calero, to the best of my knowledge, provided the travelers checks to Oliver North; Oliver North then either had me or potentially someone else that I don't know about distribute it to Contra leaders; so it was, if you will, Contra money going from one leader to another with an intermediary.

Mr. EGGLESTON. Let me stay on the ledger for a moment. This was a fairly detailed ledger; is that correct?

Mr. OWEN. To the best of my knowledge, I never really saw it.

Mr. EGGLESTON. And when was the last time that you saw the ledger?

Mr. OWEN. I don't even remember. Probably the last time I got money, and I don't remember when that was.

Mr. EGGLESTON. Would that have been in 1985?

Mr. OWEN. Yes.

Mr. EGGLESTON. You don't know where the ledger is today?

Mr. OWEN. No, sir.

Mr. EGGLESTON. You are aware that it was not located in Colonel North's office?

Mr. OWEN. I was not aware of that.

Mr. EGGLESTON. Do you know whether Mr. Calero knew the purpose for which he was providing the funds to Colonel North?

Mr. OWEN. That I don't know.

Mr. EGGLESTON. Mr. Owen, let me direct your attention to August of 1985, late August. At that time, did you take a trip to Costa Rica?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. And on whose instructions did you take that trip?

Mr. OWEN. Colonel North's.

Mr. EGGLESTON. What was the purpose of the trip that you took in late August of 1985?

Mr. OWEN. There was the belief that an airfield would need to be found in Costa Rica that could be used either as a staging point or to provide an emergency landing strip should a plane get in trouble, if it was shot at while flying over Nicaragua.

Mr. EGGLESTON. And so the purpose of your trip was to determine whether there was a location where an airfield could be built?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And I take it the airfield would be built in connection with lethal drops?

Mr. OWEN. I believe it was for both lethal and nonlethal.

Mr. EGGLESTON. And did you, in fact, go to Costa Rica for that purpose?

Mr. OWEN. Yes, sir, I did, and I wrote a memo to Colonel North on that.

Mr. EGGLESTON. You wrote a memo to Colonel North?

Mr. OWEN. Yes.

Mr. EGGLESTON. Is that memo—if you could turn to RWO9. Do you have that in front of you?

[The exhibit appears at p. 806.]

Mr. OWEN. Yes, that is the memo.

Mr. EGGLESTON. This is the memorandum you wrote to Colonel North after returning from Costa Rica?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. Would you just describe generally when you got to Costa Rica, who from the U.S. Government you talked to about the operation?

Mr. OWEN. I was met by a senior agency representative who picked me up at the airport. We then had several meetings that evening, and the next day he and I—excuse me—attended a meeting with a Costa Rican official.

Mr. EGGLESTON. And the purpose was to find a location?

Mr. OWEN. Yes, sir, I was introduced as a private citizen who was interested in helping the cause of the Nicaraguan Freedom Fighters. I do not believe that the Costa Rican official knew that I was working directly for or with Colonel North, and we did have a conversation.

Two sites were suggested, and one was decided upon, after I went and visited it.

Mr. EGGLESTON. You actually took a trip out to the site?

Mr. OWEN. Yes, sir, I went with the CIA official, myself, and a Costa Rican official.

Mr. EGGLESTON. Were there any other American officials to whom you spoke when you were down there about the airfield?

Mr. OWEN. Sir, I can't remember, but I may have spoken with Ambassador Lew Tambs.

Mr. EGGLESTON. I am sorry, Ambassador Lew Tambs?

Mr. OWEN. Yes, sir. He was the U.S. Ambassador to Costa Rica at that time.

Mr. EGGLESTON. At that time.

And on return from the trip—this RWO-9 is the memorandum that you prepared for Colonel North. Would it——

[The exhibit appears at p. 806.]

Mr. OWEN. Yes, sir, it is.

Mr. EGGLESTON. Would it be fair to say that this memo summarizes in some detail the various logistical and cost and various other kinds of problems that would arise out of establishing this airfield in Costa Rica?

Mr. OWEN. Yes, sir, I also brought back snapshots that I took while I was out visiting the airfield, and then they were used to look at it and decide whether it would be the proper place.

Mr. EGGLESTON. This memorandum included information about the location of the field; is that right?

Mr. OWEN. I am not sure that specifically I know I brought back a map with its location.

Mr. EGGLESTON. At least the memo talks about various improvements that would have to be made to the property?

Mr. OWEN. Yes, sir, it was decided what would need to be done, a clearing of the runway. There was a second runway which already was in existence, and that would be used for small planes near a house that would be on the main road.

Mr. EGGLESTON. You also talk in your memo, do you not, about the need for a cover operation to cover the airfield; is that correct?

Mr. OWEN. Yes, sir, we felt it was very important that one be in existence. Costa Rica is a neutral country, and at that time, obviously there was no exposure to this operation, and we felt that that was the best way to keep it, was to set up a cover.

Mr. EGGLESTON. And did you have conversations with Colonel North about setting up offshore accounts?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And a Panamanian company in order to cover this operation?

Mr. OWEN. Yes, I did, but I believe that may already have been underway; I am not sure, though.

Mr. EGGLESTON. Did you take any specific steps in order to get the offshore accounts established?

Mr. OWEN. I had a meeting with the lawyer here in Washington, D.C., and asked him to draw up various ways that money could be, if you will, moved about overseas.

Mr. EGGLESTON. And did you report the results of that conversation to Colonel North?

Mr. OWEN. I gave a copy of the letter that I received from the lawyer to Colonel North.

Mr. EGGLESTON. Was there discussion of establishing a specific corporation; do you remember the name of the corporation that was going to be used as the cover?

Mr. OWEN. No, I did not, but I subsequently learned that it was Udall Corporation.

Mr. EGGLESTON. Udall Corporation?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. Does there come a time in the fall of 1985 when you are essentially taken off this project by Colonel North?

Mr. OWEN. Yes, sir, there was. Colonel North and I had a discussion. The thought was, where I best could be used to continue with helping as best that I could in the program. At that time, the Nicaraguan Humanitarian Assistance Office had been started, and the thought was that maybe I would be able to do more there than I would be able to do with the airfield.

Mr. EGGLESTON. And the Nicaraguan Humanitarian Assistance Office was something that was established following the time Congress passed the humanitarian aid in August of 1985?

Mr. OWEN. Yes, sir, it was.

Mr. EGGLESTON. And was the person who was in charge of that Ambassador Duemling?

Mr. OWEN. Yes, sir, it was.

Mr. EGGLESTON. And did he have a deputy?

Mr. OWEN. Yes.

Mr. EGGLESTON. What was his name?

Mr. OWEN. Chris Arcos.

Mr. EGGLESTON. Before I get to that, let me ask you, Mr. Owen: You have testified about a variety of different things that you did on behalf of Colonel North in support of the Contras. You also had a small role in the third-country funding of the Contras; did you not?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. And does there come a time in the fall or summer and fall of 1985 when you have conversations with Colonel North about solicitation of third countries?

Mr. OWEN. Yes, sir. Colonel North invited me over to his office. He said that there was a third country, I believe in your chronology, it is Country Number Three, which was willing to provide some assistance, and he asked me to take an envelope over and meet with an official from Country Number Three, and provide him with the envelope.

Mr. EGGLESTON. Did Colonel North tell you what was inside the envelope?

Mr. OWEN. He did. It was a bank account number.

Mr. EGGLESTON. Did he tell you, if you recall, where the bank account was located?

Mr. OWEN. He may have mentioned Switzerland, but I don't remember.

Mr. EGGLESTON. Did you ever see inside the envelope?

Mr. OWEN. No, sir, I did not.

Mr. EGGLESTON. Did you then meet with the representative of Country Three?

Mr. OWEN. Yes, sir, I called and set up an appointment and went over and spent a few minutes with him.

Mr. EGGLESTON. Did you have a conversation with him?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. Did you speak about the Contras with him?

Mr. OWEN. Yes, sir, I told him that I was a private citizen. I was not representing the U.S. Government. I told him that whatever assistance his country could be to help the Nicaraguan freedom fighters, it would certainly be appreciated by those people who were down there, and I knew—at least I thought it would be appreciated by our government.

Mr. EGGLESTON. So you provided him with the envelope?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. Did you ever learn whether or not the representative of Country Three, or whether Country Three had made a contribution?

Mr. OWEN. No, I did not learn that.

Mr. EGGLESTON. Immediately before the time you testified last week, Mr. Gaston Sigur testified. Did you have occasion to hear any of his testimony?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. He, if you recall, testified that in the fall of 1985, Colonel North called him and asked him to "call this particular official of Country Three and say that someone on behalf of the Contras would go and talk to him and tell him how the funds should be transmitted."

Do you happen to recall that testimony by Mr. Sigur?

Mr. OWEN. I wasn't listening at that time, so I don't remember it.

Mr. EGGLESTON. In any event, from what you know, you probably are the representative of Country Three who did the meeting; is that right?

Mr. OWEN. Yes, sir, and Gaston Sigur's name had been mentioned to me.

Mr. EGGLESTON. Mr. Sigur's name was mentioned during the course of your conversation with a representative of Country Three?

Mr. OWEN. I believe so, yes.

Mr. EGGLESTON. Mr. Owen, in the fall, September and October of 1985, did you have occasion to take trips up to New York at the instructions of Colonel North?

Mr. OWEN. The first time I went, it was not at the instruction of Colonel North, but yes, I took three trips to New York.

Mr. EGGLESTON. And the first time, did there come a time when you went up on a bank holiday?

Mr. OWEN. Yes, on September 16th, I believe it was Rosh Hashanah, and the banks were closed, I was asked to go up there.

Mr. EGGLESTON. And you were asked to go by Colonel North?

Mr. OWEN. No, Colonel North gave me a phone number to call, and a person to ask for, and that person was Mr. Copp, who obviously was Mr. Secord.

Mr. EGGLESTON. Did you know at that time he was Mr. Secord?

Mr. OWEN. I had a very good idea, yes.

Mr. EGGLESTON. You, I take it, then, had a conversation with Secord?

Mr. OWEN. Yes, sir, I did. He gave me instructions, the address, and in essence a code to use when I went and approached the person.

Mr. EGGLESTON. Where did you go?

Mr. OWEN. I flew up to New York and I took a cab down to the Lower West Side, and I was instructed to go to a corner Chinese market.

Mr. EGGLESTON. And you went to the market?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. Did you give a code name?

Mr. OWEN. I asked for the person, I don't remember his name, and then I said that—I used the code name, saying this person sent me—and I am afraid I don't remember—I think it was something like "Mooey", or something along those lines.

Mr. EGGLESTON. Did that person then give you anything?

Mr. OWEN. Yes, he did. He walked behind the counter. I believe he rolled up his pant leg and pulled out a wad of $100 bills. Not I believe, I know he pulled out a wad of $100 bills.

Mr. EGGLESTON. Did he give a part of this wad to you?

Mr. OWEN. He gave the whole wad to me. He asked me if I wanted to count it. I did not know how much I was supposed to be getting, but I decided I had better count it anyways.

Mr. EGGLESTON. And how many $100 bills did he give you?

Mr. OWEN. There were 95; it was $9,500.

Mr. EGGLESTON. After getting the bills from him, the $9,500 in cash, did you return to D.C.?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. And did you meet with General Secord?

Mr. OWEN. Yes, I did. I was told that he would be waiting for me at the Sheraton Carlton. I went in the lobby. I saw him sitting in the bar. I went downstairs, used the house phone, and called the bar and asked to speak with him. And then I met him in the lobby.

Mr. EGGLESTON. Did you give him the cash?

Mr. OWEN. Yes, sir, I did. I had folded it in a newspaper and handed him the newspaper.

Mr. EGGLESTON. Did you know the reason that you took this trip?

Mr. OWEN. I just knew that obviously they were short of cash and they must have needed it, it was a bank holiday, and this was the easiest way for them to get it.

Mr. EGGLESTON. But you do not know, you were not told the reason that they needed this $9,500 in cash?

Mr. OWEN. No, sir, I was not.

Mr. EGGLESTON. Did you have any conversation with General Secord about the reason that the amount was only $9,500?

Mr. OWEN. Yes, sir, I suggested to Mr. Secord that perhaps the money changer had taken his 5 percent, and he said, no, he assured me that that was to stay within the legal law, so that no more than $10,000 was transmitted in one transaction; so they kept it under the $10,000 so it would not have to be reported.

Mr. EGGLESTON. You understood that there was some reporting requirements when people deal in amounts of cash in excess of $10,000?

Mr. OWEN. Yes, sir, and every time I would travel to Central America, there were always large signs posted, saying that if you have $10,000 or more that you are taking in or bringing out, you have to declare it.

Mr. EGGLESTON. Did you take any other trips to New York in order to obtain cash?

Mr. OWEN. Yes, I took two more.

Mr. EGGLESTON. And on whose instructions did you take those trips?

Mr. OWEN. Again, General Secord's.

Mr. EGGLESTON. And did you have conversations with Colonel North before taking those trips?

Mr. OWEN. Yes, I did.

Mr. EGGLESTON. Is it actually Colonel North who asked you to take the trips?

Mr. OWEN. I guess that is questionable, I mean, it was both for Colonel North and General Secord.

Mr. EGGLESTON. How did you get the money on those occasions?

Mr. OWEN. I went to a bank, which was I think in the mid-40s in Manhattan, and I went up to the sixth floor, and unfortunately I don't remember the name of the bank, asked for a person whose name I had been given, and told them that I was expected to pick up an envelope, and they provided me with an envelope each time.

Mr. EGGLESTON. Do you remember the name of the person who you were to speak to?

Mr. OWEN. No, sir.

Mr. EGGLESTON. And did you see inside the envelope?

Mr. OWEN. No, sir, I did not.

Mr. EGGLESTON. It was sealed at the time you got it?

Mr. OWEN. Yes, it was.

Mr. EGGLESTON. And did you have to sign any receipt for it?

Mr. OWEN. No.

Mr. EGGLESTON. You were simply handed the envelope filled with cash or whatever was in it?

Mr. OWEN. Yes, I can't necessarily testify that it was cash, because I didn't know, but it certainly felt the same shape and size.

Mr. EGGLESTON. And on those two occasions, after getting the envelopes from the bank, the person at the bank, what did you do with the envelopes?

Mr. OWEN. I returned to Washington, and on these two occasions I believe I took the envelopes to Colonel North, in his office.

Mr. EGGLESTON. Now, you have earlier testified that you began to think that you would be more helpful with NHAO, the Nicaraguan Humanitarian Assistance Organization. Does there come a time when you become employed by NHAO?

Mr. OWEN. Yes, sir, I had—a letter was sent on September 3rd by Abnor Valdiviev, the United Nicaraguan Opposition, he at that time was General Secretary, requesting that I be brought on in NHAO. I did have several meetings with Ambassador Duemling, also met with Chris Arcos.

The first meeting was in September at some time. It was very congenial. He was not sure how I might be able to help. Then, I think, we had another meeting in October. And towards the end of October I received a phone call from him saying that he would like to meet with me, and he thought something could be worked out where I could help.

Mr. EGGLESTON. Was there a period of time in there where he did not want to hire you?

Mr. OWEN. I think he was reluctant. He wasn't quite sure how I would be able to help out. I think he also felt that he may have been receiving undue pressure from possibly Colonel North or others to bring me on board.

Mr. EGGLESTON. Do you know who, besides Colonel——

Mr. OWEN. Yes, sir?

Mr. EGGLESTON. Do you know who, besides Colonel North was pressuring him to hire you?

Mr. OWEN. I don't know whether anyone was pressuring him. My understanding was that the decision to hire me was made at the interagency group, I think at that time it was made up of Colonel North, Elliot Abrams and the Director of the Central American Task Force of the CIA, but I don't know that for a fact. I just was told that.

Mr. EGGLESTON. Did any Contra leaders advocate to Ambassador Duemling that you should be hired?

Mr. OWEN. Yes, sir, in October, a letter was signed by all three, Alfonso Robelo, Arturo Cruz, and Adolfo Calero, asking Ambassador Duemling that he retain the Institute for Democracy, Education, and Assistance, a nonprofit 501(c)(3) organization to help with the disbursement of humanitarian assistance.

Mr. EGGLESTON. Was IDEA a nonprofit organization that you had set up?

Mr. OWEN. Yes, sir, I set that up in January 1985; at the same time I set up a 501(c)(4), which was a lobbying organization, called the Council for Democracy, Education, and Assistance.

Mr. EGGLESTON. And it was through IDEA, then, that the contract was obtained; and it was part of the contract that you were to do the work on behalf of IDEA; is that correct?

Mr. OWEN. Yes, sir. So, I was just employed by IDEA and IDEA had the contract with NHAO.

Mr. EGGLESTON. And I take it then, following the time you begin with NHAO, you began to take a series of trips on behalf of that organization down to Central America?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. And did you also take trips—let me move you forward to February of 1986. Do you recall taking two trips down to Central America in February of 1986?

Mr. OWEN. Not right offhand, but I am sure I did. I mean, obviously I did, but I just don't know the dates, and I am not sure which ones you are referring to.

Mr. EGGLESTON. Let me direct your attention to RWO11.

[The exhibit appears at p. 816.]

Mr. OWEN. I have it.

Mr. EGGLESTON. Was this a memo that you wrote to Colonel North?

Mr. OWEN. Yes, sir, it is.

Mr. EGGLESTON. And actually, at the beginning, it says, "To: BG".

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. What does BG stand for?

Mr. OWEN. I was afraid you were going to ask me. It was a nickname that we have Colonel North.

Mr. EGGLESTON. And what did the BG stand for?

Mr. OWEN. Blood and Guts.

Mr. EGGLESTON. And again, you have used your nickname, which is the Courier?

Mr. OWEN. That is right.

Mr. EGGLESTON. This memorandum, does it not, speaks about a list of items that Negro would like to have?

Mr. OWEN. Yes, sir, it does.

Mr. EGGLESTON. Just a moment.

This memorandum makes a reference to various items that Negro needs; is that correct?

Mr. OWEN. Yes, sir, it does.

Mr. EGGLESTON. And Negro was whom?

Mr. OWEN. Negro Chamorro, who was at that time the leader of the southern front—the military commander of the southern front.

Mr. EGGLESTON. And let me direct your attention to RWO-12. Is this another memorandum that you wrote to BG following a trip that you took to Central America?

[The exhibit appears at p. 818.]

Mr. OWEN. Yes, sir, it is.

Mr. EGGLESTON. And on page 2 of this memorandum, about halfway down, it refers to lethal supplies that are still required?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And it refers to Negro's people, who are still waiting for a drop of lethal equipment; is that right?

Mr. OWEN. Yes, sir, it does.

Mr. EGGLESTON. Thank you. This is information that you were providing back to Colonel North?

Mr. OWEN. Yes, sir, it is intelligence that I was providing for Colonel North. I felt it incumbent upon me to keep him as fully informed of all aspects, because he was the representative of the

National Security Council, and he was deeply involved in what was going on.

Mr. EGGLESTON. Well, Mr. Owen, it is a little more than that, isn't it at the end of line I just mentioned about the lethal equipment for Negro. It says, "Advise you check on where this stands"; do you see that?

Mr. OWEN. Yes.

Mr. EGGLESTON. So, in fact, at the time you were writing this memorandum you anticipated, and I take it that the Contra leaders anticipated, that he would do something in order to help out getting this lethal drop to Negro Chamarro; is that correct?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. In March of 1986, you take an additional trip to Central America?

Mr. OWEN. Yes, I do.

Mr. EGGLESTON. And prior to the time that you go down, do you have occasion to meet with Colonel North?

Mr. OWEN. Yes, sir, I was called into Colonel North's office.

Mr. EGGLESTON. And you had a conversation with him about a trip that you were to take?

Mr. OWEN. Yes. There was a flight leaving Dulles Airport in an L-100, which was chartered through Southern Air Transport, it was loaded with medical supplies and it was going down to the Nicaraguan Resistance air base in Central America.

Mr. EGGLESTON. And did Colonel North advise that you take that flight down?

Mr. OWEN. Yes, sir, he did.

Mr. EGGLESTON. Was there something going to happen with that particular airplane after it arrived down and unloaded the medical supplies?

Mr. OWEN. Yes, sir. He asked me that once I completed and overseen the unloading of the medical supplies, and provided a list to the doctors that were receiving it, as well as talking with them about whatever problems may exist, that I then be—let me rephrase that—that I then help put together the reloading of the L100.

Mr. EGGLESTON. And what did you talk about with Colonel North that would be reloaded on the L100?

Mr. OWEN. There were a list of munitions that were going to be reloaded in the L100.

Mr. EGGLESTON. And where were they going to go?

Mr. OWEN. There were going to go to another air base in Central America where they would packaged and palletized for a drop into Nicaragua.

Mr. EGGLESTON. And you were going to help in the reloading and the repalletizing process?

Mr. OWEN. Sir, this was a one-time thing, if I may, neither the pilots, nor the crew in the aircraft, or the others that were on it had been down to the region. Or if they had, they hadn't been involved in something like this. Colonel North asked me to accompany him because I knew the players and knew the various people involved.

Mr. EGGLESTON. Well, it may have been a one-time thing, Mr. Owen, but nevertheless you were—at Colonel North's request you did, in fact, accompany this flight down; is that right?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. And when you got down to Central America, and after unloading the humanitarian supplies, was there a problem about the lethal equipment?

Mr. OWEN. Yes, sir, I had raised this with Colonel North before I went. As usual, Murphy's Law, held.

We arrived at the air base. The lethal supplies were not there, were not ready to loaded up, and this was a concern that he had had, so I went and talked with a CIA officer who was at the base, asked him if he knew anything about it. He did not.

I talked to the Nicaraguans who were there; I asked them if they knew anything about it; they did not. I then subsequently asked the CIA officer to—through secure communications to contact Tegucigalpa and their base.

Mr. EGGLESTON. You asked them to do what?

Mr. OWEN. I asked him through his secure communications to contact his base station in Tegucigalpa and then to subsequently relay a question to one of the senior CIA officials in the country.

Mr. EGGLESTON. And the purpose of this communication was to determine whether or not munitions could be released to be be placed on the aircraft?

Mr. OWEN. Yes, sir. It was my understanding that the FDN had agreed to release these materials, they were supposed to be there waiting for us; they were not.

There were occasions when the CIA officials could help, encourage the FDN to do some things they otherwise might not do. And it was my understanding that they probably had talked with them already about the release of this equipment.

The message I got back was that the material was not released.

Mr. EGGLESTON. Did you fly on to the next air base?

Mr. OWEN. Yes, sir. The plane loaded up empty. We flew over to the next air base where we were met, and a series of phone calls and communications took place to try and find out if this could be sorted out. The drop had been scheduled for the following night.

Mr. EGGLESTON. And, you mean, when you say a series of phone calls were made, to whom and were those phone calls made?

Mr. OWEN. There were phone calls made back to Washington to Colonel North, to, I believe, to General Secord, and to also, I believe, Mr. Richard Gadd.

Mr. EGGLESTON. And Richard Gadd at that time was whom?

Mr. OWEN. Richard was the one responsible, or should say, having oversight of the leasing of the aircraft. He was both leasing for NHAO and he was involved in the covert air operation to resupply the Contras.

Mr. EGGLESTON. Did the phone calls have any success?

Mr. OWEN. They met with a great deal of frustration. I believe a series of phone calls were places also to Honduras from Washington. But finally after, I think the better part of the day, a decision was made that we scrub the mission.

Mr. EGGLESTON. When you say, phone calls were made, other than to Colonel North and to Gadd and to General Secord, were there calls made to any other U.S. Government officials?

Mr. OWEN. Yes, sir, I placed a call to the senior CIA officer in Costa Rica.

Mr. EGGLESTON. And that was also fruitless, I take it?

Mr. OWEN. It was; but that was more to tell him so that he could pass on the word to the freedom fighters who were in the jungles waiting for the drop to let them know that the mission was not a go.

Mr. EGGLESTON. Who all was meeting at the second airbase in order to get this lethal drop organized?

Mr. OWEN. Sir, can I ask you to refer to a memo that I believe may be one of the documents?

Mr. EGGLESTON. Which—are you referring to RWO14

[The exhibit appears at p. 825.].

Mr. OWEN. Yes, sir. I only did that so I could refresh my memory.

Mr. EGGLESTON. OK.

Mr. OWEN. Sitting in the meetings was Felix Rodriguez, who was—it was his nom de guerre, or I should say Max Gomez was his nom de guerre, Felix Rodriquez was his real name. Colonel Jim Steele, who was the Mil Group commander; Chi Chi Quintero, who a representative of General Secord, and myself.

Mr. EGGLESTON. And those are the people who met and tried to get this lethal drop organized; is that correct?

Mr. OWEN. Yes, sir. Colonel Steele more sat in as a observer, but he did place, or we asked him to place one call on a secure line to the CIA officers in the country that we had come from.

Mr. EGGLESTON. Now, is it true that your contract with NHAO specifically precluded you from doing anything with regard to the transportation or facilitation of lethal supplies?

Mr. OWEN. There was a section in there which did say that.

I might add right here, though, that I believe since I had completed my NHAO work on that delivery of medical supplies, that I was on my own time, and that I was also doing this at the direction of the National Security Council, and an adviser who, I believed, was working under the auspicious of the President of the United States.

Mr. EGGLESTON. Well, let me ask you this, did you tell Ambassador Duemling that you had taken off the NHAO hat and had decided to participate or help facilitate a lethal air drop?

Mr. OWEN. He never asked; and I never told him.

Mr. EGGLESTON. And you never told his deputy, Mr. Arcos either, I take it?

Mr. OWEN. No, sir, I did not.

Mr. EGGLESTON. Do you think that if they had know that you had tried to facilitate this drop that you would have been reprimanded, if not fired?

Mr. OWEN. That was really not what I was worried about. I was more concerned that should I do that it would start, if you will, exposing the layers of the covert operation that we had set up to resupply the Nicaraguan Resistance.

Mr. EGGLESTON. Well, just in answer to my question, I take it that they would not have been pleased that you had had participation in this?

Mr. OWEN. I think Ambassador Deumling would have been disappointed and rather upset.

Mr. EGGLESTON. Part of the memo that you just referred to is RWO14, makes a reference to the need for communications, secure communications devices?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And does there come a time in the spring of 1986, when you helped facilitate this memo and provide secure devices?

Mr. OWEN. Yes, I believe in April of 1986, I was provided a KL41, I believe, is the——

Mr. EGGLESTON. 43?

Mr. OWEN. Excuse me, KL43, by Colonel North, and I took it on one of my trips to Costa Rica where I provided it to a senior Costa—excuse me—senior CIA official.

Mr. EGGLESTON. Who else, to your knowledge, had the devices?

Mr. OWEN. It was my understanding that—if I can just back track for just a minute—during this flight, where we were trying to deliver the lethal supplies, there was no secure communications, so everything was done over an open line. It was felt that was totally unappropriate because Cubans and the Soviets were listening, probably, to all communications.

And in my memo I suggested that secure communications should be set up, and I believe that—certainly from General Secord's testimony, I learned that Chi Chi Quintero had one, that probably Felix Rodriquez had one, I knew that Colonel North had one, that General Secord had one, and that Dick Gadd had one.

Mr. EGGLESTON. Did you have one.

Mr. OWEN. No, sir, I did not.

Mr. EGGLESTON. Mr. Owen, by May of 1986, it is true, is it not, that NHAO funding had started to run out?

Mr. OWEN. Yes, sir. My understanding is that initially Congress appropriated the funds through March 31st, but there were funds remaining and it was decided, I guess, through the RIG that those funds could be suspended, they had already been allocated, and by the end of May my funds had run out.

Mr. EGGLESTON. And does it come a time around the same time when you start to essentially extricate yourself from the Central American situation?

Mr. OWEN. Yes, sir. There was—Colonel North and I had several discussions, as my memo show, where I was concerned about my exposure, and through my exposure, his exposure, because I did not want to jeopardize what he was doing by my desire to try and stay on and continue to help the resistance. And I felt it was better at this time, probably, to get out while getting out was good.

Mr. EGGLESTON. Is it true that as of this time your name was becoming publicly associated with the Contra effort?

Mr. OWEN. Yes, sir. I believe the first week in June the Miami Herald ran a long article discussing my involvement. Also a number of reporters had been talking with NHAO and various State Department people, and asking questions about me. And I believe my name had been raised in a House Resolution asking Colonel North what he knew about me, as well as several others.

Mr. EGGLESTON. Before I get to that, let me just ask you some questions about some conversations that you might have had with various people in the summer of 1986. Do you recall any kind of conversations with General Secord, or Colonel North, or anyone about what was going to happen to the assets that had been accumulated in Central America following the passage of the aid?

Mr. OWEN. After I completed my tour with NHAO, and I, in essence, phased myself out, or was phased out of the help in the Nicaraguan resistance, I still would meet with Colonel North from time to time and we would have conversations. I think on occasion he did discuss that, and he was concerned that the CIA would not take advantage of all these assets that they had, and from the best of my recollection, he said, well, look, we even want to give it to them, and they don't want to touch it.

I had another meeting with General Secord at some point, and he said much the same thing.

Mr. EGGLESTON. Do you recall in that meeting that you had with General Secord in or about September of 1986?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And did you discuss a number of different items relating to the—kind of the history of your and his involvement in the Contra resistance in that meeting?

Mr. OWEN. A variety of topics were covered. Certainly those were among them.

Mr. EGGLESTON. Did you have any discussion at that meeting, with General Secord, about his participation and the solicitation of Country Two?

Mr. OWEN. Yes, sir, he told me that he had met with Prince Bandar before King Fahd came to visit the President, and he asked him for assistance. He then mentioned at some point that he thought that he had given $15 million because of that meeting.

Mr. EGGLESTON. Do you recall any discussion with him about another topic? Let me ask you. Was there anything you recall of the discussion with him about the decision in the summer of 1985 to take the funding away from Mr. Calero?

Mr. OWEN. Yes, sir. There was a conversation about that, and also I believe I had had a couple of those with Colonel North. The decision was reached by, I believe, both Colonel North and General Secord. I think it was made for two reasons. It was potentially inappropriate that Adolfo Calero be using his brother, Mario Calero, to purchase goods.

There had been a lot of rumors and speculation that some money was going where it shouldn't go. There was no proof, but the mere suggestion that that was the case was a concern. Colonel North always wanted the Nicaraguan resistance to be as clean as possible, and he was concerned about their image.

Also there was a concern that funds were being spent on things that probably were a waste of money, and I think he and General Secord felt they probably could do a better job.

Mr. EGGLESTON. So what decision was made? How was procedure changed in the summer of 1985?

Mr. OWEN. My understanding—and I only can say it is my understanding—that by the end of May Adolfo Calero started getting concerned about funds, yet Colonel North at a later time obviously decided to use Lake Resources and use that for channeling funds.

Mr. EGGLESTON. And the thought was that Colonel North would maintain control then over the expenditure of the funds?

Mr. OWEN. I think General Secord—I am not—I don't think General—excuse me—I don't think Colonel North had signatory power over the banks.

Mr. EGGLESTON. And there was a decision then to provide Mr. Calero with items as opposed to just purely the money, is that right?

Mr. OWEN. There was always a concern that a black market existed, certainly in parts of Central America and goods that were procured originally for the Contras. I think that they felt by providing funds—excuse me—by providing goods and services instead of money that that would negate a lot of that.

So a decision was made to go with providing the goods, and I think, I may be mistaken, but I believe Adolfo Calero was provided with some funds, too, to take care of the needs that he had.

Mr. EGGLESTON. Mr. Owen, a moment ago you mentioned the Resolution of Inquiry which was issued by Congress in June of 1986. I think you indicated you were aware at or about the time that that Resolution of Inquiry was issued?

Mr. OWEN. Yes. Someone made me aware of it.

Mr. EGGLESTON. In fact, the Resolution of Inquiry specifically mentioned you, did it not?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And among other things, it asked about Colonel North's relationship with you?

Mr. OWEN. Yes, it did.

Mr. EGGLESTON. And also his relationship with Mr. Hull?

Mr. OWEN. Yes.

Mr. EGGLESTON. And I think as well a more general question about his relationship with various Contra leaders; is that correct?

Mr. OWEN. Yes. And I believe it also asked about his association with General Singlaub.

Mr. EGGLESTON. Do you recall that there actually came a time when Colonel North met with Members of Congress?

Mr. OWEN. I believe he met with them in August of 1986.

Mr. EGGLESTON. Did you have any conversations with him prior to the time that he had that meeting about the way he was going to respond to those questions?

Mr. OWEN. I don't think so. I did talk with him after he had those conversations.

Mr. EGGLESTON. You did have a conversation with him afterwards, after the meeting?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And did he say anything to you about what he had said to the Members of Congress about his association with you?

Mr. OWEN. Yes, he did. Colonel North at that time, obviously, was very busy. I never wanted to take up much of his time when I did get in to talk with him.

I asked him if he had had the meeting. He said he had. He said that my name was brought up. And his comment to that question was, yes, I know Rob Owen. I have met him several times. But I think that that was the extent of his remarks.

Mr. EGGLESTON. Did the Resolution of Inquiry also call for the production of various documents? Do you recall that?

Mr. OWEN. Yes.

Mr. EGGLESTON. Do you know whether Colonel North provided to the Members of Congress the various TC memos that you had provided to him?

Mr. OWEN. I would doubt that he did. I think that that would be an exposure on his part.

Mr. EGGLESTON. I take it similarly you don't believe that he advised them that you had carried maps down to the Contras on at least three occasions in late 1984 and early 1985?

Mr. OWEN. I don't believe he did.

Mr. EGGLESTON. And if Colonel North said he had met with you several times, I take it that he had met with you quite a number of times by August of 1986; is that correct?

Mr. OWEN. I would say so. I have no idea of the number though.

Mr. EGGLESTON. Indeed, if you were to add up in his calendar for 1985, it appeared that you had about 20 or so meetings with him reflected in his calendar and up until August of 1986, about twenty or so additional meetings, would that sound consistent with what you think probably happened?

Mr. OWEN. Easily. We wouldn't always meet in his office. We would meet in a variety of different places.

Mr. EGGLESTON. Is there a reason that you would sometimes meet outside of his office?

Mr. OWEN. I was concerned that my showing up on his calendar too many times would be potentially detrimental and might be used at some point against him. And I think he had the same concern.

Mr. EGGLESTON. Because the people who are visiting the Old Executive Office Building are reflected on a computer for admission purposes; is that the problem?

Mr. OWEN. Yes, and each time you have to sign in, and the computer keeps track.

Mr. EGGLESTON. And as a result, you met in other places, not just in the Old Executive Office Building?

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. There had been a previous investigation of Colonel North in the summer of 1985. Were you aware of that?

Mr. OWEN. Sir, I can't remember that one specifically, but I know there are a number of investigations that constantly involved Colonel North. We had some conversations about them.

There were different times when he thought that he was probably going to be moved and he said I will just let the chips fall where they may. Oftentimes, when information came out, he and I would talk, and he would—he said on several occasions that he would always be the fall guy if this story ever broke.

Mr. EGGLESTON. Let me ask you about that. Did Colonel North indicate to you whether or not his superiors at the NSC knew what it was that he was doing in Central America?

Mr. OWEN. It was my understanding that he did. I was never given any clear indication. I once asked him what he did with my memos, and he said I take them across the street. I just assumed that that would probably go to the National Security Adviser, either Robert McFarlane or John Poindexter.

Mr. EGGLESTON. Did he ever indicate to you whether or not the President knew what he and you were doing in Central America?

Mr. OWEN. I don't think the President has time to know who Robert Owen is. But I imagine that he had an idea that Colonel North was doing things to help the Nicaraguan Democratic Resistance.

Mr. EGGLESTON. But you have no specific information about just what it was that the President may have known about Colonel North's activities?

Mr. OWEN. No, I don't have specific information, but I was always under the assumption that he knew what he was doing, or at least had a general idea. He may not have gotten into the specifics.

Mr. EGGLESTON. There comes a time in October of 1985—excuse me, October of 1986, when the plane carrying Mr. Hasenfus is shot down in Nicaragua. Where were you at that time?

Mr. OWEN. I believe I was in Rhode Island for the weekend.

Mr. EGGLESTON. And did you ever have a conversation with Colonel North about Mr. Hasenfus and Mr. Buzz Sawyer, who was killed in that crash?

Mr. OWEN. Yes, sir. I called Colonel North immediately, as soon as I found out. My name was linked to the aircraft because a business card of mine was found in the wreckage. Buzz Sawyer was a personal friend of mine, and I felt very bad and hurt and concerned about his death. I knew his wife. And we had had dinner on a couple of occasions and he had been over to my house. He was a—I think Buzz Sawyer was a true patriot to this country.

Mr. EGGLESTON. Did you want to go to his funeral?

Mr. OWEN. Yes, sir, I did.

Mr. EGGLESTON. And did you go to his funeral?

Mr. OWEN. No, I didn't. I asked Colonel North about it. I think probably one of the things I regret in all of this is that I didn't go to his funeral. But Colonel North, I think probably, possibly General Secord, felt that it might be inappropriate because it would raise too many questions.

Mr. EGGLESTON. Mr. Owen, throughout the—particularly the spring of 1985, but throughout the time that you were involved in these various projects with Colonel North, at the time that you were standing on the street corners making cash payments through open windows of cars, did there come times when you would talk or joke with Colonel North about whether or not you were all going to go to jail for your activities?

Mr. OWEN. There were a couple of occasions that we would laugh about it and joke, yes.

Mr. EGGLESTON. You and Colonel North would joke about it?

Mr. OWEN. Yes, and I hate to bring this poor person's name up again, I think he has already been through too much, but Johnathan Miller would also joke about it as well.

Mr. EGGLESTON. And was part of the reason that you would joke or talk about whether or not you were going to jail for your activities, was part of the reason the generally furtive and secretive nature of what it was that you were doing?

Mr. OWEN. Sir, I am not trained as a secret agent, and I haven't been through any of this before. When you are involved in something that is new and different, from changing travelers checks to traveling with documents to providing funds to different people, I think that there is always a sense of nervousness about it.

We were in a politically charged atmosphere. Obviously the Congress was deeply divided. The feeling was that should our efforts be found out, there would be people who would want to try and find something illegal and try and throw us in jail.

But quite frankly, in my personal view, I wasn't that concerned. If I was, I probably would have gone and talked to a lawyer about it, but I felt that I was working with a member of the National Security Council, someone who had access to the President of the United States, and believed it was the right thing to do.

Mr. EGGLESTON. It is true, was it not, you were not a government official.

Mr. OWEN. That's right. I was not.

Mr. EGGLESTON. And you did not have a security clearance.

Mr. OWEN. No, sir, I did not.

Mr. EGGLESTON. And you were essentially acting at that time as a private individual under the direction or under the guidance of a marine lieutenant colonel, who was the Deputy Director of the Office of Political Military Affairs at the NSC.

Mr. OWEN. Well, in a way it would also, obviously, since I was being paid by Adolfo Calero, I was working with him, but I guess you could say that I probably did more for Colonel North than I did for Adolfo Calero.

Mr. EGGLESTON. Well, at the time you were making the payments to the Contra leaders, you were acting, really, at the request of Colonel North; is that fair?

Mr. OWEN. But there were Contra funds that were not Colonel North's funds.

Mr. EGGLESTON. Nevertheless, it is not Adolfo Calero who asked you to make those payments. It was Colonel North.

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And at the time that you took the maps down, it was because Colonel North provided them to you, not because Adolfo Calero had asked you for them.

Mr. OWEN. Yes, sir.

Mr. EGGLESTON. And similarly, when you went out to New York and obtained the cash, it was because Colonel North and General Secord wanted you to do it, not because Adolfo Calero had specifically asked you to do it.

Mr. OWEN. That's right.

Mr. EGGLESTON. Did you regard yourself as a private individual who was acting in furtherance of a covert operation in Central America?

Mr. OWEN. I guess you could say that. I was a private citizen who believed in what I was doing. I thought I was doing it, certainly, under the auspices of the U.S. Government, but I was still a private citizen.

Mr. EGGLESTON. You indicated previously that you knew, of course, that there was a Boland amendment, and that it had resulted from enormous discussion and debate and finally votes in both Houses of the Congress; is that fair?

Mr. OWEN. Yes, that is fair.

Mr. EGGLESTON. And would it be fair to say that you knew while you were acting with Colonel North, that you and he, particularly Colonel North, knew that you were, at the very least, walking a very fine line between legality and illegality under the Boland amendment.

Mr. OWEN. Sir, the Boland amendment did not affect me. I was a private citizen.

Mr. EGGLESTON. But, nevertheless, you knew that Colonel North was concerned about the Boland Amendment, did you not?

Mr. OWEN. I think he probably was because Congress was concerned about it, but I'm not sure that he believed the Boland amendment affected him.

Mr. EGGLESTON. Well, let me ask you, do you recall giving a deposition in this matter?

Mr. OWEN. Yes.

Mr. EGGLESTON. And do you recall being asked these questions and giving these answers:

Question: "And was this because..." And this is a reference to the jail conversations. "And was this because of the sort of generally furtive and unseemly nature of distributing money on rainy street corners outside the OEOB?"

Answer: "I would say that might be an appropriate statement."

Question: "Was there any specific discussion of the Boland amendment or whether or not you were violating the Boland amendment?"

Answer: "It was very questionable. I think everyone knew we were walking a very fine line."

Question: "But, nevertheless, you joked that you might have gone over the line and might end up in jail."

Answer: "Yes."

Do you recall giving those answers to those questions?

Mr. OWEN. Sir, if it is in my deposition, I obviously did.

Mr. EGGLESTON. Mr. Owen, did you have occasion to talk to Colonel North on November 24th or November 25th 1986?

Mr. OWEN. Yes, sir, I was in the Old Executive Office Building on that Monday. I believe it was the 24th. I was seeing someone else. I stopped by Colonel North's office to say hello, and I was with someone else, and we talked for a few minutes.

Mr. EGGLESTON. And did he tell you anything about the situation that had developed?

Mr. OWEN. He said that he was going to resign; that—I believe he may have said, once again, that he was going to be the fall guy. He did say that while he hoped that what would come out of it would be that he would be able to continue to serve his country in the Marine Corps, and that—I guess that would be it.

Mr. EGGLESTON. Is it fair to say that during the course of the 2 plus years that you worked with Colonel North, you became a friend of his?

Mr. OWEN. Sir, I am proud to be a friend of Colonel North's.

Mr. EGGLESTON. And testifying about him here today is somewhat difficult for you; is that correct?

Mr. OWEN. Yes, it is. I think Colonel North has been treated unfairly in many ways.

Mr. EGGLESTON. Nevertheless, you have testified as accurately as you can about the facts and the things that he did in furtherance of this operation. Is that fair?

Mr. OWEN. Yes, sir, I have been under oath, and I said in my opening statement that I wanted to tell everything that I knew; I wanted to tell both all of you here and the American public, and I believe in the end—and it is just my belief as a person that Colonel North will wind up being a hero, not a villain, as many perceive him to be.

Mr. EGGLESTON. Mr. Chairman, I have no more questions for Mr. Owen.

Chairman INOUYE. Thank you very much.

The hearing will stand in recess for 5 minutes.

[Recess.]

Chairman INOUYE. The hearing will please come to order.

Mr. Leon, please proceed with the inquiry.

Mr. LEON. Thank you, Mr. Chairman.

Mr. Owen, I would like to start off my questioning by going back to a portion of your testimony with Mr. Eggleston when you were relating discussions with Colonel North.

I believe the discussion was put in the terms of an almost joking discussion about the possibility of either you or him going to jail, and there are a few things I wanted to ask you about those discussions, if I could.

First of all, you did say jokingly, didn't you?

Mr. OWEN. Yes, I did.

Mr. LEON. And by jokingly, were you implying that perhaps that was an effort to relieve some of the tension or stress you felt you were both under?

Mr. OWEN. I don't know about Colonel North, but I felt under a lot of pressure and tension at different times.

Mr. LEON. Would you say Colonel North was working long hours?

Mr. OWEN. I don't think there are very few people in this government who work as long hours as Colonel North did.

Mr. LEON. And you had certainly been working long hours, hadn't you?

Mr. OWEN. I guess it is all relative.

Mr. LEON. At the time you were having those discussions, had Colonel North already given you any indication that he thought of himself as a future fall guy, so to speak?

Mr. OWEN. Yes.

As I said, on probably half a dozen times or more, he brought that up.

Mr. **Leon**. And had he also given you an indication that he was trying to stay within the law and he wanted you to stay within the law?

Mr. **Owen**. Yes, and he always, whether I was moving money or other things, wanted me to be sure to stay within the law. He felt very strongly about that.

Mr. **Leon**. Hadn't he indicated to you that he had sought legal advice himself with regard to the law on some of these matters?

Mr. **Owen**. At different times, that came up. I think that he did, yes.

Mr. **Leon**. And was it your impression that he was trying to abide by that legal advice?

Mr. **Owen**. I think so. I know that he had seen some of the legal advice that—excuse me—that General Secord had provided and gotten from lawyers and so I think that he had.

Mr. **Leon**. Did you ever consciously attempt to violate or disregard any law at any time?

Mr. **Owen**. I am not a lawyer, but, no, I didn't consciously try and violate any U.S. law.

Mr. **Leon**. Did you ever disregard a legal limitation that had been placed upon you in advance by a lawyer?

Mr. **Owen**. Not that I can think of.

Mr. **Leon**. Do you have any knowledge or reason to believe that Colonel North consciously disregarded a legal limitation placed upon him by anybody?

Mr. **Owen**. Again, I am not a lawyer, but, no, I don't think that he did.

Mr. **Leon**. I am just asking you what your impression was at that time.

Mr. **Owen**. I think Colonel North did what he did because he felt he was doing it—he was doing what the President wanted. I don't have any direct knowledge, as I said, or indirect knowledge necessarily, of what the President knew, but I think there were also others within the administration who knew what Colonel North was doing.

Mr. **Leon**. Did he allude to the President giving him instructions along those lines?

Mr. **Owen**. No, he never alluded to the President giving him actual instructions.

Mr. **Leon**. You have also testified about moving sums of money.

Mr. **Owen**. Yes.

Mr. **Leon**. In the form of cash and travelers checks. Now, what was your impression as to why you were doing it in the form of cash or travelers checks?

Mr. **Owen**. I once asked Colonel North why we were using travelers checks. He said, "Well, it is very easy. There are no receipts left."

Well, when I was in the deposition and someone showed me a packet of travelers checks or copies of travelers checks, I guess Murphy's law came into effect again.

Mr. **Leon**. He obviously kept a log of these travelers checks. You testified to that?

Mr. **Owen**. He did.

Mr. LEON. Was there any reason, besides secrecy, to use cash? Convenience perhaps?

Mr. OWEN. Sure. You are not going to open up a bank account in the name of the Nicaraguan Democratic Resistance. It was the easiest form of capital to use.

Mr. LEON. Do you have any reason to believe that either Mr. McFarlane or Mr. Poindexter had knowledge of Oliver North keeping travelers checks in his safe in his office?

Mr. OWEN. I have no knowledge of that.

Mr. LEON. Do you have any reason to believe that they did?

Mr. OWEN. I have no reason to believe that they did or they didn't.

Mr. LEON. With respect to yourself, did you at any time seek to obtain any personal profit from the moneys that you were handling on behalf of Colonel North?

Mr. OWEN. No, sir. I did not.

Mr. LEON. And you did not take any money for your own personal profit?

Mr. OWEN. No, sir.

On one occasion, on October 19, 1985, which was the date that I got married, and Colonel North came to my wedding. As a matter of fact, I think he had just flown in from Honduras. He got into his car and drove down so I obviously was much appreciative of that.

He did provide me a thousand dollars in travelers checks and I said, "I don't feel comfortable taking this," but he said, "No, please, use it as you see fit."

He also knew that at that time, I believe again it was late October, or it was October 19, that I had not received, to the best of my knowledge, I had not received my, I guess you would say my stipend or my funds, for October, and probably I think for September at the time because on several occasions, Mr. Calero would say they were just short of money and also he and I were not in contact as often as we had been, so he could give me the thousand dollars.

I think throughout this process, I am not of a job right now, I left a pretty welLpaying job with the Gray & Company and I didn't look to the—to get into this for money. My only motive was for doing what was right for the country and what I thought was right for those who were fighting in the jungles of Nicaragua.

I am just going back to that thousand dollars and Colonel North did say that "We want you to have it." He didn't necessarily say who, but I had invited Adolfo Calero to my wedding. I don't know. Maybe Adolfo Calero thought that would be a nice wedding present for me.

Mr. LEON. Did you have any evidence to indicate that Colonel North pocketed any profits from the moneys that were being handled by him?

Mr. OWEN. I am not aware of any evidence and I believe that Colonel North is an honest man and I don't think he would use any funds for his own personal gain.

Mr. LEON. With respect to the Boland amendment, you testified that there were discussions or concerns, I should say, on your part and Colonel North's part when you were making joking reference to being incarcerated.

Have you studied the the Boland amendment?

Mr. **Owen**. Sir, I have read it, but I can't say that I have necessarily studied it. I certainly read it.

Mr. **Leon**. You never sought a legal opinion, did you, as to its applicability to you or Colonel North?

Mr. **Owen**. No. At some time in the fall of 1985 or sometime in 1986, I knew that—or I learned that the President's Intelligence Oversight Board had, I believe, provided a memo to the effect that the Boland amendment did not affect the National Security Council.

Mr. **Leon**. Do you know who wrote that opinion?

Mr. **Owen**. Yes. His name is Brent Serroni. He is a counsel.

Mr. **Leon**. Did you ever read that?

Mr. **Owen**. No, sir; I did not.

Mr. **Leon**. Did Colonel North make reference to it in your presence?

Mr. **Owen**. I can't really remember. I know on one occasion I was told about it.

Mr. **Leon**. Are you aware if the Boland amendment has any criminal sanctions that are attached to it?

Mr. **Owen**. No, sir.

Mr. **Leon**. So when you were joking about criminal violations, as was pointed out in reference to a deposition—you didn't see that deposition before today, did you?

Mr. **Owen**. No, sir; I did not. I haven't reread my testimony.

Mr. **Leon**. You haven't had a chance to review it?

Mr. **Owen**. No, I haven't reviewed it either.

Mr. **Leon**. With respect to that deposition, with regard to your references to joking about possible criminal violations, could those have been criminal violations attached to Boland if there are no criminal violations attached to it?

Mr. **Owen**. No, sir.

Mr. **Leon**. Now, with respect to the legal authority of your conduct, exhibit 17, RWO17, is a copy of the contract, is it not, between IDEA, a company that you put together, and NHAO, the Nicaraguan Humanitarian Assistance Operation?

[The exhibit appears at p. 831.]

Mr. **Owen**. Yes, it is.

Mr. **Leon**. And you have had a chance to review that, haven't you?

Mr. **Owen**. Yes, sir.

Mr. **Leon**. And you are specifically familiar with that clause, Clause No. 4, in Section 4, that provides certain prohibitions and limitations, are you not?

Mr. **Owen**. Yes.

Mr. **Leon**. Who drafted this contract, Mr. Owen?

Mr. **Owen**. The State Department.

Mr. **Leon**. And you reviewed it before you signed it?

Mr. **Owen**. Yes, sir. I did.

Mr. **Leon**. Did you have legal counsel review it as well?

Mr. **Owen**. I believe I had a fellow who was at that time acting as counsel to IDEA look at it.

Mr. **Leon**. OK.

You were aware of that clause before you signed it, were you not?

Mr. Owen. Yes, sir, I was.

Mr. Leon. Was it your understanding of that clause that you were not an employee of the State Department on a fulLtime basis, that is, 24 hours a day?

Mr. Owen. That is right.

I mean, in fact, there was always some question as to what I did work for, whether I worked for UNO, the United Nicaraguan Opposition, or whether I worked for the State Department.

On one occasion, I had conversations with a representative from the General Accounting Office. He put that question to me. I should say IDEA, which is a corporation, not me as an individual, was asked by UNO to undertake this effort and I subsequently was brought on by IDEA and by the Nicaraguan Humanitarian Assistance Office.

I think something that I could have said earlier and I didn't, but I would like to say that everyone knew in the State Department, or at least those who had knowledge of it, that I—if not was Ollie North's man at least had a good rapport with him.

Mr. Leon. Was Mr. Dumling's deputy, Mr. Arcos, aware of that, to your knowledge?

Mr. Owen. He knew that Ollie and I were friends, yes.

Mr. Leon. So is it your testimony that in March, when you went down on that L100 flight, and when you were through unloading that flight, you were no longer—after that was done, you were no longer working under this contract for the State Department?

Mr. Owen. I believe Colonel North and I talked about it and my reaction at the time was my work for NHAO, as far as overseeing the flight down and the unloading and talking with the doctors and those who were receiving it, was such that at that time, my commitment to NHAO was complete and I was a private citizen and I am not sure that some people would argue, but I would have to say that a private citizen on his own time can do what it is that they want and I would also add that again I was receiving orders from—not orders—well, I guess you could say orders.

I was being requested by a member of the National Security Council.

Mr. Leon. I will go back to that point in a second. Let me just ask you this: You testified that you expressed concern to Colonel North before you engaged in that March mission, which fell through, ultimately?

Mr. Owen. Right.

Mr. Leon. You expressed concern that it might be violative of your contract, not violative of the law! Is that correct?

Mr. Owen. Right.

Mr. Leon. Because you didn't believe Boland applied to you?

Mr. Owen. That is right.

Mr. Leon. OK.

Mr. Owen. And you know, obviously I didn't believe that it necessarily applied to Colonel North either.

Mr. Leon. Now, you were expressing concern it might be violative of your contract. You are bringing it to the attention of Colonel North. What was his reaction?

Mr. OWEN. I said, "Look, you are doing this for me. I am a member of the President's staff of the National Security Council, and you are doing it on your own time."

Mr. LEON. Did he say to you, "I will go get a legal opinion from someone here to make sure you are on firm ground?"

Mr. OWEN. No, he did not say that.

Mr. LEON. Were you disappointed he didn't ask for a legal opinion from anyone at the White House before he dispatched you to go ahead on that mission?

Mr. OWEN. As what he was doing was in a covert capacity, I am not sure he would feel comfortable going and asking for a legal opinion on that.

Mr. LEON. He certainly didn't ask Ambassador Duemling if it would be all right if he went ahead and did that, did he?

Mr. OWEN. No, he did not. Neither did I.

Mr. LEON. Let's get back to the point you were making about Ollie saying he was a member of the National Security Council on the staff of the President. You testified you never met Robert McFarlane; is that correct?

Mr. OWEN. That's right, I have not.

Mr. LEON. You have never met Admiral Poindexter?

Mr. OWEN. I have not.

Mr. LEON. And you did testify, I believe, that Ollie on at least one occasion said to you that he was sending his memos across the street, which you implied to mean to the NSC director?

Mr. OWEN. Yes, sir.

Mr. LEON. Do you recall who was the director at the time he made that statement?

Mr. OWEN. I think it was Bud McFarlane.

Mr. LEON. Did you ever receive any indication that McFarlane had in fact reviewed those memoranda?

Mr. OWEN. No, sir, I don't. I did not.

Mr. LEON. And did you ever demand any insurance from Ollie North that such approval had been sought and obtained from his superiors?

Mr. OWEN. No, I did not. When I walked into the Old Executive Office Building, which is right next door to the White House, and I talked to a man who is associated with it, and is a U.S. Government representative, who works, know, very closely with the National Security advisers. I believe that was good enough for me.

I wasn't about to go and try to track down a legal opinion.

Mr. LEON. So did you take the notion that he was acting under the authority of the supervisors, so to speak, on blind faith?

Mr. OWEN. Yes, I did. I also was in his office on a number of occasions when he would have conversations over the phone with different people, and that gave me cause to think that obviously they had some idea what he was doing, too.

Mr. LEON. Did it ever cross your mind, Mr. Owen, that perhaps Colonel North was acting out on his own out on a limb?

Mr. OWEN. It never did.

Mr. LEON. Did it ever occur to you that if the public found out what it was that Colonel North was doing in Central America and in specific what he was having you do while you were working for

NHAO, that the Contra program would be jeopardized in the long run?

Mr. **Owen**. I am not sure I would say the American Public. I would say the Congress.

Mr. **Leon**. All right. Well, with regard to the Congress, I believe you testified just a little while ago about a congressional resolution of inquiry. Correct? And I believe you testified that Colonel North told you that he had indicated to Congress simply that he only knew you and had only met with you on a few occasions; is that correct?

Mr. **Owen**. That is correct.

Mr. **Leon**. Certainly, when he told you that, you must have realized that he was taking a very large risk with regard to his testimony to Congress about you.

Mr. **Owen**. I did, but this was also in August 1986, and I was by that time several months out of the program.

Mr. **Leon**. Well, did you regard his statements of that nature regarding his relationship with you under oath to be a rather risky venture on his part?

Mr. **Owen**. Obviously, I guess I did.

Mr. **Leon**. Did you have any reason to believe that he had the authority of Admiral Poindexter when he took those risks?

Mr. **Owen**. No, I did not. But I just would like to interject something here, in that on the day that he resigned or was fire—I am not sure which it was—I did track him down and had a phone conversation with him, and I just wanted to express my concern and my support, and said, "Well, you know, I would never do anything unless I had orders or other people knew what I was doing," and I said, "I do know that." And I believe that.

Mr. **Leon**. Let me ask you this. In light of the risks that you have acknowledged, he, being engaged in and yours being engaged in, in terms of it becoming public, in light of the risks that Colonel North obviously took in making those statements as he did to Congress during a resolution of inquiry with regard to you, in retrospect now, do you think those risks were worth running with respect to the long-range interests of the Contras?

Mr. **Owen**. I think it was a very difficult time for all of us. Those who were committed to this endeavor felt at the time that we had to do whatever we could to make success and to help it succeed. I believe Colonel North was working under the assumption that he was doing, if not the direct orders, that he was doing what the President wanted him to do.

I think in hind sight much of this program, ever since the beginning, its inception, has probably been done—well obviously not as well as it could have been undertaken. So I think we all had regrets.

Mr. **Leon**. Was it a risk worth running?

Mr. **Owen**. I guess I would have to answer that on a human value, and that is if it saved lives, and if it helped further the cause and further freedom it probably was worth it.

Mr. **Leon**. No further questions, Mr. Chairman.

Chairman **Inouye**. Thank you very much.

The Chair now recognizes Senator Boren.

Mr. **Boren**. Thank you very much, Mr. Chairman.

Mr. Owen, I hope you understand that in these hearings we are trying to be constructive. Hopefully, the process that we are going through will teach us some lessons about how to conduct ourselves in the future——

Mr. **Owen**. Yes, sir.

Mr. **Boren**. So that we can build back together what I hope will be not a Republican or Democratic foreign policy, but an American foreign policy.

Mr. **Owen**. I fully agree with you on that.

Mr. **Boren**. And I want to ask you some questions in that spirit, and I feel a responsibility to put some questions to you.

As I have listened to you, the words that I have written down on my legal pad again and again have been about a confusion of ends and means.

I obviously don't quarrel with your ends, as you probably know. I voted again and again for aid to the Contras. I feel very strongly about what the current regime is doing to stifle freedom of the press, free exercise of religion in Nicaragua, and I can understand your strong personal commitment to try to do something to avoid the establishment of another Communist base in our own hemisphere and to provide greater freedom for the people of that country. And I sympathize with the goal that you were working for very much.

Obviously, there is nothing illegal in being aid to the Contras. Several of us on this committee have voted on it. In all honesty, I am concerned about the means to that ends.

You have been a teacher. I have been a teacher of government. There are a lot of students undoubtedly watching this hearing this morning. And I wonder about reflection, how you feel about the means in this case that were adopted, perhaps with good intentions, to try to accomplish what you and I believe was a worthy end.

Would you want those students that you have taught in the past to readily adopt some of the means that you have admitted to us in these hearings that you have adopted?

Mr. **Owen**. I go back to what Thomas Payne said—"These are the times that try men's souls."

I think we all had the best intentions. I think one of the things that is coming out of this hearing—that I am just a civilian, a private citizen that is going to end up being the focus of it, and that is who has the ultimate responsibility for deciding on foreign policy.

I agree with you that we need to have a foreign policy which is bipartisan and which people agree on, and I think that the President of the United States had very clearly set out what his foreign policy was.

Mr. **Boren**. Let me again ask you—let's be very open and honest at this point, because I think there are some lessons here that are important for all of us to learn.

I wouldn't imagine that a person who is idealistic, as you are—and I accept the sincerity of your idealism; I respect that—would not feel too good about having to come before us and claim his privilege against self-incrimination and be given immunity under the legal process in order to testify.

I wouldn't think that that would be something that you would mark down as something that you really feel very good about.

Mr. OWEN. It is not a high point in my life, no.

Mr. BOREN. Well, you mentioned minority counsel used the term "taking risk." Let's perhaps use some old fashioned terms again, and I ask you this not to be unkind but I think it is important for us to draw these out.

When you learned that Colonel North was testifying before Congress and all he told the congressional committee was that he knew you—he didn't report about the nature of your relationship, that you carried intelligence back and forth or that you had taken funds back and forth or that you had been involved in a process to continue aid to the Contras during times of congressional ban.

Did you approve? Did you approve of Colonel North not being more forthcoming or not telling the truth, full truth, to the congressional committee?

Mr. OWEN. I guess deep within my soul I had some question about that, but I think also that he felt—and obviously from the PROFs that have now been brought out through the Tower Commission—others besides him felt that it was appropriate as to what his actions were and what his comments were.

Mr. BOREN. If you had been before that committee, would you have hoped you might have at that point told the entire truth and laid it out to them?

Mr. OWEN. Sir, that would have been a very difficult decision, and not being in that position I am not sure how I would respond to that.

Mr. BOREN. ~~What about~~ the contract? We have had the contract referred to under which you worked with Ambassador Duemling, and this contract says,

> Mr. Robert Owen shall not during the term of this grant perform any service which is related to the acquisition, transportation, repair, storage, or use of weapons, weapon systems, ammunition, or other equipment vehicles or material.

And yet throughout your testimony and your questioning by staff you have indicated that, indeed, you did talk about arrangements, about onloading weapons onto flights that first brought humanitarian cargo.

How do you feel about not living up to your contractual obligations as a means?

When you are talking to your students, would that be something that you would say you approved of as a means to an end?

Mr. OWEN. In response to that, I can only go back to what I told minority counsel, and I believe Mr. Eggleston—I believe at the time that I had and was in my right to take off my hat working for NHO and put on my hat as Robert Owen, private citizen.

Some would question that, and you obviously do, sir. I question you for that.

Mr. BOREN. It just says you won't perform any service during the term of your employment.

What about Mr. Duemling? Did you ever tell Mr. Duemling that you were asked by Colonel North to go over there and be his eyes and ears, to expressly tell him that?

Mr. **Owen**. Sir, when I first met with Ambassador Duemling, I think he was very wary of me and I was probably very wary of him. I think he probably received a phone call from Colonel North saying, "Why don't you talk to this young man." But no, I did not tell him that.

Mr. **Boren**. Did you ever tell him that you were involved, in fact, in the operation of on the side, as you put it, while working for him, that you were involved in arranging shipments of arms, drawing up wish lists of arms and munitions?

Did you ever tell Ambassador Duemling that?

Mr. **Owen**. If I can clarify that a little bit, no, I did not.

Mr. **Boren**. Should you have told him that if you were being—you know, here is an employer who has asked you to sign a contract or enter into a contract you wouldn't engage in these activities while working for his office.

Again, I am not trying to be unkind. I am not trying to pressure you, as I told you in the beginning. I admire the goals towards which you were working, but, obviously, as one who supports the Contras I am concerned that what we have done here in terms of the means that have been adopted may end up damaging that cause very much.

I am trying to see if, in reflection, you are not concerned about means as well as about ends.

Mr. **Owen**. Sir, I think we are always concerned about means and ends. But, also, I think that in my mind, that if those arms could save some lives, they also would take lives. I realize that.

Mr. **Boren**. But are you proud about the fact that you didn't tell Mr. Duemling you were doing this on the side, when you knew because he wrote into the contract that he was concerned about that, at the very least, as a conflict of interest?

Mr. **Owen**. Senator, quite frankly, he never asked, and I never volunteered.

Mr. **Boren**. Have you ever worried about it since then that you didn't shoot straight with Mr. Duemling? Let's just really lay it out. You didn't, did you?

Mr. **Owen**. Sir, I didn't look at it as not shooting straight.

Mr. **Boren**. Well, what about carrying intelligence information to the Contras? Now, this was during a period of time in which, obviously, it was against the law for the government to supply intelligence information. This was during the period of the total ban, and you say were acting as a private citizen at that time.

Did you feel good about being a courier to deliver something that was clearly illegal that time, whether or not you—and I think it shouldn't have been illegal. I voted that it shouldn't be. I voted to provide that help, but I was outvoted, and it was illegal at that period of time.

How do you feel about being a courier to take information that could not be legally provided? Is that an appropriate means?

Mr. **Owen**. Sir, I once asked Colonel North about that, and he said the material had been declassified. I guess you would have to check on that.

Mr. **Boren**. How would you feel if someone that supported the Sandinista government, which you and I both disapprove very strongly, supported their cause, had been supplying intelligence information to the Sandinistas as you were supplying it to the Contras during that time?

Mr. **Owen**. Sir, I have no doubt that there are people that support the Sandinistas that do provide them with intelligence.

Mr. **Boren**. Do you approve of that?

Mr. **Owen**. No, sir, I don't, but I would suggest these hearings are looking at those that support the Contras. Probably hearings could be held for those that do support the Sandinistas.

Mr. **Boren**. I think in all respect it is not a debate about the Contras, because I told you where I stand on that. It is a debate about the law. Would a belief in their cause, just because they strongly believed in providing help to the Sandinistas, would that have made it lawful for them to have supplied intelligence to the Sandinista government, if they believed every bit as strongly and as sincerely as you do that that would be the right thing to do?

Mr. **Owen**. I guess we all have choices, and they would have made theirs. And no, I don't think it was legal. Then, if you also heard what I said, my understanding was the material had been declassified.

Mr. **Boren**. Well, again, I just go back, and I would urge you again as a former teacher to do some real thinking about that. If we embark on a course in this country where everyone can do what they think is right without regard to the law, as strongly as we may feel about it, about a particular course of policy, it is a dangerous course.

There were two people indicted in my home State about 10 days ago for trying to raise private funds and to plot to assassinate the leader of the current Nicaraguan Government. I don't particularly admire the leader of the current Nicaraguan Government at all. In fact, I feel strongly about what he is doing, but what is it going to do to this country if everyone who has a strong belief about something decides they can do whatever they want to do without abiding by the law?

Mr. **Owen**. Sir, I have to agree with you. I think those people were probably idiots, but there we have a cast of thousands who were idiots involved in this. Quite frankly, you are assuming everything that was done is and was illegal.

I don't think that has been proven yet. This isn't a court of law. I beg to differ with you on that point.

Mr. **Boren**. Let me take you to the question of CIA involvement. Your testimony raises some questions about whether CIA personnel assisted the Contras in ways prohibited by the law. When you delivered maps and photos from Colonel North to various Contra leaders in November 1984 and February and April of 1985, did you have any indication that CIA personnel knew that Colonel North was going to use CIA prepared materials for that purpose?

Mr. **Owen**. Sir, I was in his office on several occasions when he made phone calls to, I believe, the CIA.

Mr. **Boren**. Did you ever meet or talk directly to the CIA Task Force Chief about such materials?

Mr. **Owen**. No, sir, I did not.

Mr. **Boren**. Were you ever told, or was there ever indication given to you by Colonel North or anyone else, that the CIA Task Force Chief might have been providing such materials?

Mr. OWEN. If you remember my testimony on Thursday about the maps that were on the large big boards——

Mr. BOREN. Yes.

Mr. OWEN. I believe that was in Colonel North's office when he picked up the phone at one point and called and talked with the Task Force Chief. Yes, sir.

Mr. BOREN. So, you had the comprehension from that conversation that the Director of the Task Force at the CIA at least knew about these maps, that they were there?

Mr. OWEN. I can't testify that, but I guess I would have to assume it.

Mr. BOREN. But you do not know with certainty whether or not they were provided? The Task Force Chief testified before the Senate Intelligence Committee in December 1986 that he turned down requests from North during this period to prepare intelligence for deliveries to the Contras.

Would you Contradict that testimony or be in a position to Contradict it?

Mr. OWEN. Sir, I can't Contradict it. I can only tell you what I carried.

Mr. BOREN. So, you do not know the source?

Mr. OWEN. Sir, I told you it was from across the river. I know that one of the sets of maps was provided by a CIA courier.

Mr. BOREN. And there was at least one telephone conversation with the Task Force Chief while—and Colonel North while you were in his office?

Mr. OWEN. I believe so, yes, sir.

Mr. BOREN. What about the delivery of a secure communications device known as a KL43 by you to senior CIA officials in Costa Rica? Did you know what use he made of that device?

Mr. OWEN. I know he was going to use it to keep in secure communication with Colonel North and with others.

Mr. BOREN. Did the CIA officer in Costa Rica, who is known as Thomas Castillo, did he visit a planned site of an air strip with you?

Mr. OWEN. Yes, sir, he did. We flew out on a Costa Rican Government helicopter.

Mr. BOREN. Did he advise you about taking photographs of that site?

Mr. OWEN. As a matter of fact, I think we may have used his camera. I can't remember.

Mr. BOREN. Did he help you develop the cover story about the fact that the air strip would be used for an agricultural experiment station?

Mr. OWEN. We were working with the Costa Rican officials, as well as him, and I think that came up as probably the most logical that could be used.

Mr. BOREN. Did CIA personnel ever assist you in getting military supplies moved from the warehouse at Palmerola to Aquacate in Honduras?

Mr. OWEN. They did not assist me. I knew there was military hardware over in Palmerola that had come in from, I believe, Portugal. It was supposed to be moved at one point from Palmerola to Aquacate.

As a matter of fact, one of the L100s was supposed to go over there and ferry it over, but at the time, there was an NHAO official on it, so they had to scrub the mission.

The Honduran subsequently got very upset it wasn't moved when they were told it was going to be moved.

Mr. **Boren**. You mentioned in your testimony earlier that you went to told Old Executive Office Building on November 24?

Mr. **Owen**. Yes, sir.

Mr. **Boren**. 1986. With whom did you meet on that day?

Mr. **Owen**. I met with Bret Serroni. I had with me a friend by the name of Bruce Cameron. He had just come back from Guatemala. I believe Mr. Serroni was going to be going down there at some point.

We thought it would be nice to let him tell them from the Guatemalan situation.

Mr. **Boren**. That was the day before the termination of Colonel North?

Mr. **Owen**. Yes, sir. It was just a coincidence.

Mr. **Boren**. So, that was the only person with whom you met on that day?

Mr. **Owen**. Yes, sir.

Mr. **Boren**. Have you had any conversations with Colonel North over the last 2 or 3 months?

Mr. **Owen**. I have had several. I called him on that day, as I said, and the next day and talked with him. I subsequently had a conversation with my lawyer and his lawyer. I felt and still feel very close to Colonel North.

Mr. **Boren**. When was the conversation with your lawyer and his lawyer?

Mr. **Owen**. In December, sometime before Christmas, and then in March, we—my two lawyers and myself went over and had lunch with his lawyers.

I will say right now in front of you that before any conversation took place, both lawyers agreed what the guidelines would be of our conversation, that there would be nothing substantive. We would not talk about the case.

It was an opportunity as friends to get together to see each other, and I had—I believe, I called him on Christmas and wished him Merry Christmas, and called him when I learned my wife was pregnant to let him know.

Mr. **Boren**. What is the most recent conversation you had with him?

Mr. **Owen**. When I called him to let my wife know—to let him know my wife was pregnant. That was within the last month, I think.

Mr. **Boren**. The—any other conversations during that about the pending issues?

Mr. **Owen**. No, sir. We both studiously stayed away from that.

I will say that I did talk with him and his lawyer at one point before I had a lawyer. I picked up the phone and called, before Ollie even got on the phone his lawyer said, look, Rob, I want you to know that Ollie wants you, and I want you to tell the truth when the time comes, and it will come.

Mr. **Boren**. Let me ask you. You wrote a memo in which you expressed concern to Colonel North about drug related activities getting involved with the operation, or at least some of the people, perhaps, being somewhat unsavory? I believe you talked about a plane being used that had been used to run drugs?

Mr. **Owen**. Yes, sir.

Mr. **Boren**. Talked about some of the crew being a pretty rough looking bunch. You were fearful they had criminal records?

What was the nature of your concern about involvement of people that might have had ties to drug running?

Mr. **Owen**. Sir, that plane was supplied, if I remember correctly, the group that provided that plane had been referred to NHAO by the CIA. And in my mind, it was stupidity to use a plane that at one time had been used, or at least targeted, as having carried drugs, and also it was stupidity to use people who had a criminal record.

Mr. **Boren**. Did—were there dissatisfaction expressed by some of the other people involved in the operation, Mr. Calero and others, or reports of skimming, skimming or late delivery of equipment by Mr. Secord in his conversation?

Mr. **Owen**. I had a conversation with Mr. Calero. It might have been in the Miami Airport. I am not sure when it was.

He was concerned about the lateness of equipment that he had purchased, and, I think, it finally didn't even get to Central America until some time in 1986, and he had anticipated for it in 1985.

Mr. **Boren**. He was expressing dissatisfaction with Mr. Secord's handling of that particular aspect of the delivery?

Mr. **Owen**. There were times when he expressed that, yes, sir.

Mr. **Boren**. You, yourself, seemed to express concern about Mr. Secord being involved with Mr. Gadd and the requirement to use Mr. Gadd?

Mr. **Owen**. Are you referring to a specific memo?

Mr. **Boren**. I believe there was a communication along those lines between you and Colonel North? Maybe it was a conversation with you and Mr. Calero.

Mr. **Owen**. I had a conversation with Mario Calero, and Adolfo Calero's brother. As a matter of fact, Colonel North had talked to me and asked me to contact Mr. Calero and tell him that someone would be in touch with him.

At that time Mr. Gadd was using the name Mr. East. And that I just asked Mario to listen to him and told him that it was felt this person would probably be able to do the bet job as far as contracting for the movement of NHAO goods.

Mr. **Boren**. You are talking about Mr. Gadd?

Mr. **Owen**. Yes, I am talking about Mr. Gadd. Mario at one time made a suggestion to me that he and Adolfo, his brother, were not happy with Mr. Gadd's performance.

Mr. **Boren**. Let me ask one last question. My time has just about expired.

March 17, 1987, you sent a memo to North discussing, I believe—that is 1986—the false receipts and unanswered questions about where NHAO money was going. Then there is a report in the Miami Herald—let me say, I read this without any expression of whether or not it is true, but simply to cite in the record to ask you about it.

Mr. OWEN. I know the report you are referring to.

Mr. BOREN. A report of February 16, Miami Herald article that talks about some false receipts and says a clerk at a store in San Jose, a clothing store, identified a photograph of 6 foot 4 inch Owen, as the unusual tall, fair-skinned "Gringo" who in January 1986 came into a discount outlet with two other men to get the bogus receipt.

What is that all about? Were you ever involved in terms—on instruction of Colonel North or anyone else in terms of preparing bogus receipts or picking up bogus receipts?

What did you mean by this memo that you were writing?

Mr. OWEN. I certainly am aware of the primary Herald article, and I am aware of the investigation that is going on regarding false receipts.

To the best of my knowledge, Senator, I did not attend or go to a store with other people to pick up false receipts. In the beginning, when NHAO started, it was originally said that pro forma receipts would be acceptable, meaning these people do not have the funds or the credit anywhere where they could go and buy something, and then say, well, we will take them off your hands and pay you in a couple of months or weeks. Who is going to give credit to a bunch of Indians and Blacks in Costa Rica who don't have two nickels to rub together.

The feeling was in the beginning the pro forma receipts would be allowed.

I think subsequently there was a ruling they would not be allowed.

In this case, I think they probably went ahead, provided a pro forma receipt for this material. There area also allegations that——

Mr. BOREN. Did you know that they did?

Mr. OWEN. Yes, sir. I was aware that they did provide pro forma receipts.

Mr. BOREN. You expressed concern in that memo—you expressed concern about false receipts. What was the nature of that concern that you were expressing?

Mr. OWEN. Sir—I guess if you like my overview of how NHAO was run, I would be happy to do that.

I am a taxpayer. I care about how U.S. money is spent. I don't want to see it wasted.

I think the way that—the system that was set up to funnel the funds to the Nicaraguan Resistance through NHAO was probably the worst possible system that could have been arrived at. I realize there are numerous constraints.

In the very beginning back in November, I sent a memo both to Ambassador Duemling, and I talked with Colonel North about it.

It was my belief, in essence, you should have sent counters in the countries in question so they can provide oversight to the goods that are purchased. Because there may just possibly be false receipts that are provided, or pro forma receipts that are provided and then the funds may be diverted somewhere.

In one case, one of the people from the group in Costa Rica wrote a letter to Ambassador Duemling and said that $15,000 had been diverted for the use of arms.

I was not aware that the money had been diverted for the use of arms. I was working closely with those people.

I think some of them felt it was in my best interests and their best interests that hey not tell me about that.

Mr. BOREN. But you did tell them you were personally aware of receipts being prepared after the fact?

Mr. OWEN. Yes, sir.

Mr. BOREN. Thank you.

Chairman INOUYE. Thank you very much. I am pleased to recognize the Majority Leader of the House, Congressman Foley.

Mr. FOLEY. Mr. Owen, you have testified several times about your deep commitment to the Contra cause. When did you first become interested in supporting the Contras?

Mr. OWEN. When I was a Senate staffer for Senator Quayle. I started with him, I believe, in 1982. One of my positions that I worked into was what you would call a foreign relations legislative assistant, if you will.

At that time one of my major areas of concentration was in the southeast area, but also Central America was getting hot and he was concerned about that. And then in the summer of 1983, as I testified on Thursday, an Indian, a constituent, came in with a Nicaraguan who had just come out of the jungles.

Mr. FOLEY. John Hull.

Mr. OWEN. Yes, sir, John Hull.

Mr. FOLEY. And then you testified you went to work for Gray & Company, and there was a possibility of a contract with the Contras.

Mr. OWEN. Yes, sir.

Mr. FOLEY. But that finally Gray & Company decided this would not be appropriate.

Mr. OWEN. Yes, sir.

Mr. FOLEY. And you accepted an offer on a trip to Central America to work for Adolfo Calero.

Mr. OWEN. That is correct.

Mr. FOLEY. At a salary of about $2,400 a month.

Mr. OWEN. Twenty-five hundred dollars, sir.

Mr. FOLEY. Was that more or less than you were being paid by Gray & Company? About the same?

Mr. OWEN. It was about the same. Maybe it would have been a little bit less, but also out of that were going to come some of my expenses.

Mr. FOLEY. And shortly after that you became involved in carrying maps and messages and money for Colonel North.

Mr. OWEN. Yes, sir.

Mr. FOLEY. Did Colonel North know—I assume he did—of your arrangement with Mr. Calero?

Mr. OWEN. Yes, I assume that he did.

Mr. FOLEY. Did you ever discuss it with him?

Mr. OWEN. I think probably before Adolfo decided that I could be of help to him that he may have had a conversation with Colonel North, and Colonel North——

Mr. **Foley**. Did you assume this was probably the result of a conversation between Colonel North and Mr. Calero?

Mr. **Owen**. My thought was they must have had a conversation about it. If I can just back track for a minute, I didn't really answer your question clearly regarding when I first became committed or concerned about the Central American issue.

Are you interested in hearing that or would you rather go on with your questions?

Mr. **Foley**. Well, I just wanted to establish the timeframe. I think your commitment is well-established, and we accept it is a sincere commitment. What I am interested in is your relationship with Colonel North. You have just said that you assumed that Colonel North and Mr. Calero may have discussed your employment by Mr. Calero prior to your actually being employed.

Mr. **Owen**. Yes, sir.

Mr. **Foley**. So you assumed that everything that you did for Colonel North was consistent with your employment by Mr. Calero?

Mr. **Owen**. Yes, sir.

Mr. **Foley**. Did you report to Mr. Calero what you were doing for Colonel North?

Mr. **Owen**. Sir, when I was moving maps or other such things, I usually gave them to Mr. Calero so he knew where they were coming from.

Mr. **Foley**. But you didn't feel it particularly necessary to tell him everything that you discussed with Colonel North or what you were doing for Colonel North. Is that fair?

Mr. **Owen**. By and large he knew what I was doing. I provided him with, occasionally, some written memos about what my observations were and what I was doing, yes, sir.

Mr. **Foley**. Essentially our directions all during this time from 1984 through 1986 were coming from Colonel North; isn't that correct?

Mr. **Owen**. I think you can probably assume that, although I did things for Adolfo Calero, too. But probably——

Mr. **Foley**. Did you report the things you did for Mr. Calero to Colonel North?

Mr. **Owen**. Yes, sir.

Mr. **Foley**. So it was Colonel North that was getting the report and Colonel North that was giving the instructions?

Mr. **Owen**. By and large, yes, sir.

Mr. **Foley**. You may have had a slip of the tongue, but you just, in your testimony in response to Mr. Leon, talked about taking orders from Colonel North.

Mr. **Owen**. I was. I guess you can say orders, requests, whatever you want to call them, sir.

Mr. **Foley**. You had no doubt that you were acting at the direction of Colonel North, did you? I mean that was your state of mind and your attitude?

Mr. **Owen**. Certainly on the things he asked me to do such as carrying intelligence or other such things obviously, sir.

Mr. **Foley**. Did you ever refuse a request by Colonel North?

Mr. **Owen**. Not that I can remember, no, sir.

Mr. FOLEY. Did you ever fail to carry out a request or order of Colonel North's?

Mr. OWEN. No, sir.

Mr. FOLEY. Did you keep Colonel North advised at all times of all the experiences and activities that you had, the most important ones, with respect to your activity in Central America with those who were associated with the Contra cause?

Mr. OWEN. Sir, one of the things that I ended up becoming, I guess, it was through default, was keeping Colonel North informed about a number of different things. Some I would say I was his eyes and ears. He was obviously getting tremendous amounts of intelligence from CIA and other government intelligence agencies.

One of my concerns was the involvement of some Americans and the detriment that that would bring to the cause, and so I kept him informed about that as well.

Mr. FOLEY. You were actually quite pleased and proud to be the eyes and ears of Colonel North, were you not?

Mr. OWEN. Sir, I think if you talk with any of my friends they will tell you I never told them what it was I was doing. As a matter of fact most of the time people would say, "Do you know Colonel North? And I would say, "I have met him." So I tried to keep that very confidential.

Mr. FOLEY. So you in fact were involved in a confidential and secret relationship with Colonel North?

Mr. OWEN. It wasn't something that I bragged about, nor do I think it was something he necessarily discussed.

Mr. FOLEY. You didn't tell your friends what you were doing.

Mr. OWEN. No, sir I did not.

Mr. FOLEY. You kept pains to keep your relationship with Colonel North secret, did you not?

Mr. OWEN. Yes, sir. I didn't feel it was——

Mr. FOLEY. Even to the point of not meeting with Colonel North in the Executive Office Building for the fear that that would attract attention?

Mr. OWEN. That is correct.

Mr. FOLEY. That is in relationship to the computer that keeps track of appointments; isn't that correct?

Mr. OWEN. That is correct, sir.

Mr. FOLEY. In fact all during this time you were living the life of a secret agent, were you not?

Mr. OWEN. I wouldn't necessarily call it that, no.

Mr. FOLEY. Would you say you were operating openly with respect to laundering money?

Mr. OWEN. I am not sure whether I was laundering money. I was cashing travelers checks.

Mr. FOLEY. Is that the normal way you transact business, to cash travelers checks and give money to people?

Mr. OWEN. No, sir, it is not.

Mr. FOLEY. If you were handing money and travelers checks at night and secret to people through open windows of cars, and if you were cashing travelers checks secretly, not by open bank accounts, and if you were hiding your identify of your employer and your supervisor, those who gave you directions, in a private business, would you consider that highly irregular?

Mr. Owen. Sir, I was working in a very confidential area. There was a need to know basis, and it was something that——.

Mr. Foley. In other words, secret?

Mr. Owen. Sure. Had the press come to know about it, I didn't want to risk my life any more than I had to.

Mr. Foley. In other words, secret? Is that fair?

Mr. Owen. Yes, sir. It is fair.

Mr. Foley. You were the agent of Colonel North, were you not?

Mr. Owen. You could call me that.

Mr. Foley. So is it fair to say you were the secret agent of Colonel North?

Mr. Owen. I won't quibble with you, Congressman.

Mr. Foley. All right. I am not trying to trap you. I am trying to find out. You are an extremely straightforward and forthcoming witness. We are interested in the state of mind, what you thought your responsibilities were and who you were working for.

Mr. Owen. Sure.

Mr. Foley. When you went to work for NHAO, as it is sometimes called, you testified you didn't tell Ambassador Duemling of your activities.

Mr. Owen. I did not testify—excuse me, I did not tell Ambassador Duemling, but I think he knew well of where I came and who I reported to.

Mr. Foley. So you assumed Ambassador Duemling and the State Department actually knew that you had another covert side and that you were dealing with these matters in violation of the law as far as the—at least the intention of humanitarian aid was concerned.

Mr. Owen. Well, I guess that is questionable. But as far as Ambassador Duemling's knowledge of my contacts with Colonel North, we never really discussed it. Excuse me, I think he was well aware of them.

Mr. Foley. Again, I am trying to find out what you thought about your superiors' attitude. You knew that it was not permissible under the law for humanitarian aid to be given for lethal purposes.

Mr. Owen. Right. And that is something I think everybody tried to walk a very fine line to make sure it was not used for legal—that purpose. I just want to make one point. At times I was in somewhat of an awkward position, because I would sometimes know what Ambassador Duemling was going to ask me to do before he would ask me just because Colonel North would alert me to that fact.

Mr. Foley. So you had a sort of irregular relationship with your ostensible employer and supervisor, Ambassador Duemling. You actually had been told ahead of times what your instructions would be from him.

Mr. Owen. This was just one occasion. It was regarding what were called Butler buildings.

Mr. Foley. Did you regard this really as kind of a cover job.

Mr. Owen. As a what?

Mr. Foley. Cover job.

Mr. Owen. No, sir, because I tried to walk a very fine line. I did my best to help the groups that I was asked to work with, which were the Indians and the blacks and those in the south. These were people who had little to next to nothing. Also, I worked very closely with the humanitarian medical program and Dr. Tomas.

Mr. FOLEY. Your main commitment was to the Contra cause and all its respect, not just the humanitarian aid side, was it?

Mr. OWEN. I would say that, but the majority of my time, practically 90 to 95 percent of my time was working with NHO and fulfilling those responsibilities.

Mr. FOLEY. If it came down to taking orders from Colonel North or Ambassador Duemling, which would you consider your real director supervisor?

Mr. OWEN. I was never really asked to choose, so I guess I was fortunate in that regard.

Mr. FOLEY. Do you think you would have a conflict about it?

Mr. OWEN. I don't know. We were all working for the same thing. Obviously, there was—Ambassador Duemling didn't know all that Colonel North was doing.

Mr. FOLEY. Isn't it fair to say that all during this time you looked to Colonel North as your principal in terms of helping the Contra cause?

Mr. OWEN. When I moved to NHAO, I would say that my contact with Colonel North was severely curtailed just because he didn't have time, and I didn't have time. We were both doing things. When I would come back from Central America, I would certainly write a memo and keep him up to date on what was going on. I didn't look to him as my supervisor.

Mr. FOLEY. You said you never refused to do anything that he requested you to do. Did he ever give you any requests while you were employed by Ambassador Duemling?

Mr. OWEN. I already responded to that and that was, yes. But strictly for that flight, yes, sir.

Mr. FOLEY. You say he didn't ask you. Are you satisfied you would have told Ambassador Duemling of your relationships with Colonel North if he had asked you?

Mr. OWEN. I certainly would have admitted that I had contacts with him, yes.

Mr. FOLEY. Would you have told him the whole story?

Mr. OWEN. You are asking specifically about he flight?

Mr. FOLEY. About your relationship. Suppose he asked you about your relationship with Colonel North, and what you were doing and what you had done for him and what your current activities were. Would you have told Ambassador Duemling all those things?

Mr. OWEN. I think I would have told him. I may not have talked to him about keeping Colonel North informed about the need for arms.

Mr. FOLEY. You would have kept that secret?

Mr. OWEN. I think so, yes, because I didn't want to compromise Ambassador Duemling. He was in a very difficult position as it was, and I would rather have the fault fall on me.

Mr. FOLEY. But you would also be concerned about breaching the nature of your relationship with Colonel North?

Mr. OWEN. At this point I don't think there was any way that that could be breached. He already knew of my association with Colonel North.

Mr. FOLEY. He knew all of it?

Mr. OWEN. I am not sure the intimate details, but he had a good idea.

Mr. FOLEY. Would you have told him the intimate details?

Mr. OWEN. No, sir, I would not.

Mr. FOLEY. So even during this period you were carrying on a covert relationship with your ostensible employer while carrying on what you thought was serving the Contra cause?

Mr. OWEN. I occasionally did things that were not under the guise of NHO, yes, sir.

Mr. FOLEY. You were willing to take some financial expense in these efforts, were you not? You have testified to that.

Mr. OWEN. Yes, sir.

Mr. FOLEY. And you would be willing to take some physical risk, wouldn't you?

Mr. OWEN. Sir, there were occasions when I thought my life might have been in danger.

Mr. FOLEY. And you were willing to assume that?

Mr. OWEN. Sir, when you have a cause you are willing to believe in, you are willing to die for it.

Mr. FOLEY. So you are willing to take physical risks. Would you be willing to take risks to your future career in order to advance it?

Mr. OWEN. Sir, if I can just relate a sort of a quick synopsis I think will help you understand where I come from—I had occasion to come to know General John Flynn, United States Air Force retired general. He spent 6-1/2 years in the Hanoi Hilton.

As he said, he got a Ph.D. in communism. He once shared with me his hierarchy of values, and they were, above all integrity comes first. When you talk about integrity, you ask yourself, is what I am doing right or is it wrong? If it is right, I must do everything in my power to help. If it is wrong I must oppose it with all my might.

Mr. FOLEY. You thought supporting the Contra cause was right?

Mr. OWEN. Yes, sir, and I was willing to risk my life, my fortunes, and also my—the advancement of my career, obviously. I don't know where I am going to get my next job.

Mr. FOLEY. I think that is fair and I think we understand that. You were also willing to take some risks that you might be violating the law as well, weren't you?

Mr. OWEN. I guess if I was really overly concerned, I would have gone to see a lawyer. I knew I may have been walking a fine line.

Mr. FOLEY. You were willing to take that risk in part because you believed in the cause you were supporting?

Mr. OWEN. Sir, if out of all of this, I have been granted immunity by this committee, I have not been granted immunity by the special counsel. I understand there is a grand jury investing me down in Miami. If I am going to jail, I guess that was a chance I took.

Mr. FOLEY. So, in effect, yes, you were willing to take some risks?

Mr. OWEN. Yes, sir.

Mr. FOLEY. And you did that because you thought, as you have testified a little bit ago, that we had to do everything we could to advance the cause?

Mr. **OWEN**. Sir, I see Nicaragua as a strategic threat to the United States and also as a strategic threat to the other Central American countries. And I think it is in our best interests——

Mr. **FOLEY**. That, in your judgment, was one of the overriding interests why you assumed these risks?

Mr. **OWEN**. Yes, sir.

Mr. **FOLEY**. And dealt in the way you did with secret and covert actions. Is that fair?

Mr. **OWEN**. Yes, sir.

Mr. **FOLEY**. You said you had no particular training in this business. You are not trained as an agent or——

Mr. **OWEN**. No, sir. I was not.

Mr. **FOLEY**. The—and I assume that at no time have you ever had any association with any intelligence agency; is that correct?

Mr. **OWEN**. That is correct.

Mr. **FOLEY**. When you were dealing in all of these sort of furtive and secret manner, ways, what was in your mind about who you were deceiving? Because there was a deception involved here. Who were you deceiving?

Mr. **OWEN**. I guess in retrospect that can be answered in a couple of ways. Trying to deceive the Sandinistas and the Cubans. In the support we were providing for the Sandinistas, because they obviously have very good intelligence. At the time, obviously, Congress had made its decision, I think wrongly, in stopping funds for the effort. And unfortunately, I think in hindsight, that the people we were deceiving may have been the American public, and the reason I think that is because this administration, probably from the very beginning, should have come out and said what it was that it wanted to do and then carried that out, and I don't think that they did.

And I regret that. And I made some mention of that in some of my memos.

Mr. **FOLEY**. So, in addition to the Sandinistas and the Cubans and others outside said what it was that it wanted to do and then carried that out, and I don't think that they did.

And I regret that. And I made some mention of that in some of my memos.

Mr. **FOLEY**. So, in addition to the Sandinistas and the Cubans and others outside the country, the secrecy of your actions was designed in your mind to deceive the Congress and the country?

Mr. **OWEN**. Sir, I guess I didn't—I never looked at it in my mind as trying to deceive anyone. Obviously that is what happened.

Mr. **FOLEY**. Let me just—you described going down to the food stand on the west side and getting money, taking it to General Secord, described standing out on the street and handing money to an automobile passenger that drove by.

Those were not normal public actions, were they?

Mr. **OWEN**. Sir, we used to joke that truth is always stranger than fiction. In this case, it is true.

Mr. **FOLEY**. You found yourself somewhat surprised to be in this sort of environment?

Mr. **OWEN**. Quite frankly, when I was approached in the Chinese market, I looked around and wondered where the cameras were. I said, "This is more a movie set than real life."

Mr. **Foley**. Did you find it exciting?

Mr. **Owen**. I am not sure I found it exciting. It was different.

Mr. **Foley**. It was risky. Wasn't it exciting?

Mr. **Owen**. Wasn't it Winston Churchill that said, "There is nothing quite as exciting as being shot and having the bullet miss?"

Mr. **Foley**. Who did you think you were at risk of being shot by? I don't mean that in the literal sense, but who might have discovered your association and contacts that required the secrecy?

Mr. **Owen**. The Sandinistas. There have been several assassination attempts in Costa Rica. The Cubans.

Mr. **Foley**. And in the United States?

Mr. **Owen**. I don't know there were any in the United States.

Mr. **Foley**. You were not really worried about your physical security in the United States?

Mr. **Owen**. I was more concerned about the leak of intelligence that the Cubans and the Soviets, through their intelligence-gathering capability, could do.

Mr. **Foley**. Were you concerned about the press discovering it?

Mr. **Owen**. Yes, sir.

Mr. **Foley**. Were you concerned about congressional investigations discovering it?

Mr. **Owen**. Obviously, when there is a memo to the effect when GAO came and talked to me and also when there was an investigation going on in Costa Rica out of the U.S. Attorney's Office in Miami, I talked to Colonel North about that. So there was a concern.

Mr. **Foley**. So, I don't want to put words in your mouth, and don't agree with this if you don't agree with it, but what I got from your testimony recently is that you thought that you were engaged in an unfortunate deception in the United States from the press, the Congress, and the public, brought upon by necessity to support this cause covertly, and you would have preferred if the administration had been open and public about this matter so that you would not have to deal in this uncharacteristically furtive, secret, and deceptive way; is that fair?

Mr. **Owen**. I think that you summed it up pretty well, sir.

I think if the American people are not behind a policy then it is very difficult, as we certainly saw in Vietnam and elsewhere, for the policy to take effect and for it to be successful.

I think it is incumbent upon this administration—and President Reagan has gone to the American public on numerous occasions—but I don't think the American public still understands the threat, and I hope that through these hearings and my testimony and other testimonies that they may begin to realize that in the long term, if Nicaragua is allowed to stay Communist, there will be a threat to the United States and our lives and the way we conduct ourselves.

Mr. **Foley**. In other words, you think—well, let me put it this way. Do you think there is also a danger in the development of secret activities of this kind inside the United States?

Mr. **Owen**. Sir, I think that there are times when there is the necessity for secrecy, for covert operations. As I said earlier, these were trying times. They were difficult times. People were undertaking an effort that was being kept secret from the Congress and the American people, but I think that the President must have either chosen that course or someone did because of the commitment and the belief that the cause the people were fighting for was right and that in the long term interests of the United States, that it was appropriate.

Mr. **Foley**. So, regardless of what the law might be in the technical sense, and regardless of what the policy of the country might be at a particular time, you felt that the Contra cause was just and it justified your actions; is that right?

Mr. **Owen**. Sir, I think when the President of the United States goes on national television—I believe it has been some 13 or 14 times to talk specifically about Nicaragua—when he goes on public radio on his noon speeches, when he makes speech after speech and keeps coming back to Congress for assistance, that it was no secret what he believed in.

Mr. **Foley**. You feel in your heart that the President would have approved these actions if he had known?

Mr. **Owen**. Sir, I think you are asking me a question that I am not sure I can respond to.

Mr. **Foley**. You have suggested part of the reason you felt justified was because the President had clearly laid out this policy and had endorsed it, and that regardless of the technical problems of the law, that was an assurance to you; is that fair?

Mr. **Owen**. Sir, I think that I don't believe that the President would knowingly condone the breaking of the laws.

I think what really is in question here is two things. One is were laws broken, and obviously that is for a court to decide; and the second thing is—I guess the bottom line is who is ultimately responsible for foreign policy?

Obviously, as Senator Boren talked about, you need a joint effort. But there are times when a President has to make decisions that the Congress may not want to follow. If you remember back in the second World War, FDR tried to get the draft. And it passed by one vote.

Mr. **Foley**. But it was your view, then, that what you did, even though it might be technically illegal, was justified by the President's commitment and yours to this cause?

Mr. **Owen**. Sir, I don't know that it was technically illegal.

Mr. **Foley**. I say, "even though it might be." Or might not be.

Mr. **Owen**. To use your words, in essence, I was working for a member of the National Security Council. I walked in there, and every time I walked into that building there was a sense of awe because of what it represents to this country.

Mr. **Foley**. So, it was Colonel North? It was always Colonel North that gave the directions and you felt provided the authority for your actions?

Mr. **Owen**. I am not sure he always gave the directions. He certainly gave me a lot of guidance. I guess I was under the——

Mr. **Foley**. More than any other single person?

Mr. **Owen**. Yes.

Mr. **Foley**. He was the one that gave the directions and provided the authority?

Mr. **Owen**. Yes, sir, more than any other single person.

I would just add that, again, going back to the fact that where he stood in government and the people he talked with and worked with daily, I felt that it was appropriate.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. OWEN. Thank you, Congressman Foley. I appreciate your time.

Chairman INOUYE. Thank you very much.

Before recessing, I recognize the Chairman of the House Committee.

Chairman HAMILTON. Mr. Chairman, I ask unanimous consent to include in the record of the hearing at the appropriate point a letter from Dr. William B. Walsh of Project Hope, the Health Science Education Center, which distinguishes that Project Hope from the Project Hope referred to by General Secord.

Chairman INOUYE. Without objection, so ordered.

Chairman INOUYE. The committee will stand in recess until 2:00 p.m. At that time the questioning will be resumed by Congressman Hyde.

[Whereupon, at 12:10 p.m., the committee recessed to reconvene at 2:00 p.m. the same day.]

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2:00 p.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

The Chair recognizes the distinguished Congressman, Mr. Hyde.

Mr. HYDE. Thank you, Mr. Chairman.

Mr. Owen, we will take care of a few little housekeeping details first. It seems to me there were some provocative phrases used characterizing your testimony and some ideas that ought to be briefly explored, such as "secret" as a dirty word.

Anybody going around secretively somehow is, there is an aura of un-Americanism to it. That is called the Nathan Hale syndrome.

I would say if you really want to know secrecy, ask one of the reporters behind you to give you one of their sources. You will hear secrecy, you will see secrecy.

Another provocative phrase was "unseemly." You stood at a corner in the rain and handed money through the window of a car to a leader of an Indian—group of Indians from Nicaragua who were being persecuted, hounded, their human rights being brutalized, and that was called unseemly.

It seems to me, of course, I am not a semanticist, but it would seem to me spending half a million dollars on a wedding reception for one afternoon is unseemly, or some of the money you throw across the bar or at the racetrack or at the tables in Las Vegas—I can say that now that Paul Laxalt isn't here—is much more unseemly than trying to fund a leader of a persecuted Indian group in Nicaragua. But then these words are all relative.

We also heard discussions on means and ends. And I guess the saying is that the end does not justify intrinsically evil means.

You never heard about the intrinsically evil. But that is an interesting concept.

You have heard of the Sanctuary movement, haven't you, Mr. Owen?

Mr. OWEN. Yes, sir. I have.

Mr. HYDE. That is where people deliberately break our immigration laws answering to a higher call, and the Sanctuary movement is revered by some perhaps in this chamber, but that is a little different approach to the legality approach that we have heard here.

We have traffic blockers out at the CIA who are honorable people answering to a higher call. We have people who advocate violence to defeat apartheid, and they are looked upon really as nobility, and that is all right.

Adlai Stevenson, Senior, said it was a badge of nobility or badge of honor to have an arrest record.

But Boland, the Boland amendment suddenly we have some latter-day strict constructionists who demanded that all of the nuances—and, oh, there are nuances to the Boland amendment—have to be observed.

When I think of the Boland amendment, we had some titilating excerpts up there between, correspondence between the House Permanent Select Committee on Intelligence and the Senate Permanent Select Committee on Intelligence, when the Boland was last before us, and they couldn't agree.

In fact, the Tower Commission Report, the work of Senator Muskie as well as Brent Scowcroft and former Senator Tower, says, and I quote,

> The communications and revisions introduce substantial uncertainty as to whether any United States official, CIA, DoD, or NSC staff advises the Contras on the distribution of legal supplies.
>
> The provisions were so ambiguous even the drafters evaded their meaning,

and so on and so on.

Now, you are not a lawyer. If the drafters didn't know what they were drafting, and surely it wasn't for lack of legal advice. If there is one thing we have around this place, it is lawyers, and legal advice.

It just seems a little amiss to be holding you, a nonlawyer, to a punctilious observance of this Boland amendment in any of its manifold forms. But there we are, and we have to deal with it.

Now, another questioner said we are interested in your state of mind, and I am, too. In fact, I am interested in your opening statement, which I had here, and which——

Mr. OWEN. I have got an extra copy, if you want.

Mr. HYDE. Yes, I do.

What could have happened to that? Has somebody got a copy? Could I have a copy of your opening statement?

In your opening statement, you asked the question, you said, "We are going to explore how this happened, but not the why, not why it happened."

You talk about the motivation or the purpose of foreign policy. You said you didn't go into this for money or because of the politics of the Nicaraguan exile community in Miami or the San Jose politicians or Tegucigalpa commandantes.

You painted a portrait of Nicaraguans willingly fighting, bleeding and dying in the jungles so some day they might be able to enjoy some of the same freedoms we Americans take for granted every day.

You said some very interesting things here, and you said, and your feelings can best be summarized: "Is there not a cause? I can only ask you, is there not a just cause?"

I think that puts things into perspective.

So bearing in mind your opening statement, let's talk about Colonel North, Bud McFarlane, John Poindexter. Do you think they are old enough and are you old enough to remember in 1961 a major trial of some people who trusted us at the Bay of Pigs, April 17, 1961?

People were armed, trained and put ashore. Then we somehow had a change of heart, we pulled back. Some of those people are probably, if they are alive, in Cuban prisons today. Occasionally Castro dribbles them out. But that is something that is pretty hard to be proud of.

Do you remember that?

Mr. OWEN. Yes, sir, and I would just say one of my very close friends is a veteran of that.

Mr. HYDE. Do you remember the stirring words of the President, "We will pay any price, bear any burden." Do you remember that?

Mr. OWEN. Yes, sir. And I also know on October 13, 1962, President Kennedy made a proclamation, something to that effect. If I can read it to you——

Mr. HYDE. Sure.

Mr. OWEN. [reading.]

> The United States is determined to prevent by whatever means may be necessary, including the use of arms, the Marxist/Leninist regime in Cuba for extending by force or the threat of force his subversive activities to any part of this hemisphere and to prevent in Cuba the creation or use of an externally supported military capability endangering the security of the United States.

I think that that sort of sums it up, sir.

Mr. HYDE. Well, move ahead to April 25, 1975 when the last helicopter took off from the roof of the embassy in Saigon. The Vietnamese who trusted us, who believed us, who worked with us, who fought with us, were left behind with their arms outstretched as we took off, and we left them. Give peace a chance. There will be no blood bath.

Many of those people, if they are still alive, are in reeducation camps 12 years later; isn't that so?

Mr. OWEN. Yes, sir. I saw what happened when I went to Thailand and worked in the U.S. refugee program.

Mr. HYDE. Do you think people who fought in the Marines in Vietnam have felt another sense of betrayal to people that trusted us—and that was their great error, their flaw of character, they trusted us? Do you think that burdened a man like Oliver North?

Mr. OWEN. There is no question it burdened him. It weighed heavily on his soul.

Mr. HYDE. Do you think people we have led into combat in Vietnam, whom we fed and armed and we have given shoes to and minimal training and then Congress changes its mind, and like Baryshnikov pirouettes and runs away, then comes back in and runs away. Does that bother people who have a conscience about other people's lives being exterminated because we can't make up our mind? Do you think that bothered Colonel North?

Mr. OWEN. Sir, it bothered me when I have to look in their eyes and say, "Some day we will have to help them." They keep asking why, when and where is it coming from?

Mr. HYDE. I know the Boland amendment is damned important. I know that, any of the three versions, if you can understand it. But in the hierarchy of values, don't you think betraying campesinos and peasants and little people who trust you, belongs in there, somewhere up next to the Boland amendment at the top of the hierarchy of values?

Mr. OWEN. I do. I think, if I am not wrong in saying this, the Boland amendment came about because of the mining of the harbors in Nicaragua, and because of the PSYOPS manual the CIA had put together. I think the people ended up paying for it were those people that you are talking about, not necessarily the officials in the U.S. Government who were involved in that, but the little people who got hurt.

Mr. HYDE. And that bothered some people like Bud McFarlane, Poindexter, and Robert Owen; is that right?

Mr. OWEN. Yes.

Mr. HYDE. By the way, you lost a brother in Vietnam, didn't you?

Mr. OWEN. Yes, sir, he was killed in 1967 working for the State Department.

Mr. HYDE. I have heard much made of the fact you and Oliver North joked about the fact who is going to be the first in jail. You know, if all of our hyperboles were made public, some of us would get embarrassed. One of my favorites is when some liberal Democrat introduces an amendment to eliminate some weapon system or cut down our defense, and I always nudge whoever I am sitting with and say, "I can't wait to sit in the prison camp with that guy and nudge him and say, 'I told you so.' "

Then I pause and say, "He will probably be having lunch with the guard." That is a hyperbole. I don't mean that. And I am sure you were joking when you said what you said. What was the effect on governments around. Honduras especially, El Salvador?

Mr. OWEN. I had an opportunity to talk with government officials in Honduras, with members of their Congress and members of their military. Costa Rica does not have a military. I did talk with some of their military personnel, and quite frankly, sir, they asked us, asked me, "Is the United States serious about dealing with the threat in Nicaragua? Are you treating us like a joke? You are playing with our lives, and our future."

Mr. HYDE. Mr. Owen, while this was going on, while we were vacillating, oscillating, undulating, trying to make up our mind, did the number of refugees and fighters during that period nonetheless continue to grow?

Mr. OWEN. Yes, sir. I believe that today there are some 300,000 Nicaraguans who have left Nicaragua—they have fled Nicaragua. I think that is a better word. In parlance to our country that would be 24 million people. That is 10 percent of their population. They have to be leaving for a reason.

Mr. HYDE. Voting with their feet.

Mr. OWEN. Yes, sir. And it is going to get worse.

Mr. HYDE. It is the only way you can vote in terms of the full meaning of the word.

Now, you once said that you are a protege of Oliver North and you referred to him as your godfather. I assume you were speaking in the Christian rather than the Marlon Brando sense of the word, were you not?

Mr. OWEN. Yes.

Mr. HYDE. Did you ever discuss with him after the disclosures were made about the Iranian initiative and the Central America Contra problem, how you would deal with the officials and authorities if you were required to testify?

Mr. OWEN. I would say one of the reasons that he may have trusted me doing some of the things he did is that he knew that I would keep my mouth shut, if you will. I wrote him in one of my memos if I were ever questioned, I would ask for a lawyer to be present, and I would not divulge anything.

It was a confidence and a trust, and I guess he had it in me and I had it in him.

Mr. HYDE. Well, refreshing your recollection from page 94 of your deposition, you said,

> I just want to add for the record, on several occasions, when I did talk with Colonel North and his lawyer, they stressed that I should, when the appropriate time came, cooperate, tell the truth, because that is what they were going to do.
>
> They wanted to be sure I did not cover up anything, or in any way try to save someone else, especially Colonel North.

Is that true?

Mr. OWEN. Yes, sir. There was no question in my mind and my lawyer's mind and his lawyer's mind that is what I should do, tell the truth when the time came, and that is why I am here in front of you.

Mr. HYDE. Without Colonel North's help, such as it was, do you think the resistance could have survived relatively intact for two and a half years until Congress changed its mind the last time and resumed aid?

Mr. OWEN. It would have been extremely difficult, if not impossible. I believe there were fighters that were inside that will never leave until they are buried there, and they will hang on with their fingernails, and there were some that were in southern Nicaragua who were doing that, who never received aid during that complete time, and that was one of the reasons the air drops, we tried to set up the air drops.

Mr. HYDE. You are aware that we live in a very imperfect world, and of course, it is easy to find fault with anybody or any group, and there are people who have made a vocation of finding fault with the Contras, and surely they have their imperfections. They are less than noble, starry-eyed leaders, and I know that you have a lot of questions about the quality and the effectiveness of the Contras' political leadership.

What about the quality, the effectiveness and the dedication of the fighting Contras themselves, the campesinos in the field?

Mr. OWEN. There were times that I would joke among friends that it is too bad the Nicaraguan exile leadership was not as united as the fighters were inside.

There is no question, be they black, Creole, or Indian, or campesino, or Spanish descent, they were all united because they all believed in the cause.

And quite frankly, I think many of them were disgusted with the politicians and the way that they carried on. Their only goal was to live in a free society where they didn't have the troubles, and they weren't persecuted as they are now.

Mr. **HYDE**. Do you believe if the military pressure that the democratic resistance brings against the Sandinistas is removed, that the Sandinistas will ever have the incentive to go to the negotiating table and yield power because somebody asks them to?

Mr. **OWEN**. Let me just say, I believe it was by D'Arcy, who said, "We will never give up with a ballot what we won with a gun." Thomas Borge said, "Today, Nicaragua. Tomorrow, El Salvador." So, I have no thought whatever they are about to give up unless they have military pressure.

Mr. **HYDE**. Can you tell me why Bulgarian, East Germans, Libyans, North Koreans, Soviets, Cubans, what they find so attractive about that little country? Is it the water, is it the beaches. What is it?

Mr. **OWEN**. You know, my mother used to say a lot is told about a person by the people they associate with, and I think, in regard with Nicaragua, when they associate with the PLO, 150 of them were trained by the PLO in Libya, you have got to wonder where they are coming from.

Mr. **HYDE**. Do you think we are acting like a superpower, one of the two big superpowers in our own hemisphere? You recall 1956, when Hungary was rolled over by the Soviets, the tanks came in and the freedom fighters were decimated. And we all said, it is far away, too far away from us, it is on their border.

Then Czechoslovakia in the spring of 1968, the same thing, the patriots rolled over in the street. It is over there, it is not on our borders, it is theirs. Now it is in our hemisphere, isn't it? Two hours' flight away from Texas, from Florida, and our response to that is temporizing, vacillation and the notion that somehow, if we can only communicate better with Ortega, with Borge, with D'Escoto, just communicate and convince them we are sincere, that they will democratize. Do you buy that?

Mr. **OWEN**. No, sir, I don't. I was talking with a diplomat from a less developed country, and he said, you know, your country is the greatest country in the world, but quite frankly, after World War II, when you were passed the leadership of the free world, you have yet to stand up for it.

If you are not going to take the leadership of the free world, then please turn to us and tell us so we can cut our own deal, and sir, that hurts me when they said this, because I think America stands for freedom and America stands for what is right in the world.

Mr. **HYDE**. Did you believe that force for liberation is different from force for subjugation? Do you see the difference?

Mr. **OWEN**. No question about it. The commandantes in Nicaragua are not liberating their country, they are subjugating their people.

Mr. **HYDE**. We got our freedom by fighting for it, didn't we?

Mr. **OWEN**. Yes.

Mr. HYDE. No one handed it to us, did they?

Mr. OWEN. No, sir.

Mr. HYDE. Thank you.

I have no further questions.

Senator Hatch?

Mr. HATCH. Mr. Owen, did Colonel North or any other officer of the U.S. Government pay for any of your trips to Central America prior to the time you became a NHAO employee in August of 1985?

Mr. OWEN. Sir, not that I can remember. Colonel North reimbursed me for my trips to New York when I went to pick up some of the cash——

Mr. HATCH. No, I am talking about trips to Central America?

Mr. OWEN. No, sir, Adolfo Calero did.

Mr. HATCH. What was the period of your employment at NHAO, was that August 1985 to May of 1986?

Mr. OWEN. No, sir. It was, I think my first trip was was to Miami, and that was October 28th, and I finished my last May 31, 1986.

Mr. HATCH. All right.

Mr. HATCH. Now, your employment with NHAO was really a result of the contract between NHAO and IDEA, your non-profit corporation; is that correct?

Mr. OWEN. Yes, sir.

Mr. HATCH. So you were not personally under contract NHAO?

Mr. OWEN. No, sir, I was not.

Mr. HATCH. I take it you made flights to Central America on NHAO business during this period; is that correct?

Mr. OWEN. Yes, sir, I did.

Mr. HATCH. OK.

Were any of these flights made strictly to conduct business at Colonel North's request, rather than to furnish—rather then to further the humanitarian purposes of NHAO?

Mr. OWEN. No, sir. Every time that I did something for Colonel North I was going down there anyway.

Mr. HATCH. I see.

Mr. OWEN. As a matter of fact, I think I spent probably 70 percent of my time away from home during that six months.

Mr. HATCH. Do you feel that during your time at NHAO that you fulfilled your duties as an NHAO employee?

Mr. OWEN. Yes, sir, to the best of ability.

Mr. HATCH. During your travels to Central America as an NHAO employee, to your knowledge, did the NHAO flights originating from the U.S. ever carry military weapons and supplies as well as humanitarian aid?

Mr. OWEN. No, sir. There were flights out of New Orleans, but that was all military goods that were allowable through the NHAO.

Mr. HATCH. That was—was that the flight that picked up some parachutes?

Mr. OWEN. No—well, actually every—out of New Orleans came the all things that were being purchased, boots, uniforms, things like that. So they were just none lethal goods. And there was a flight—as your rightly said, that picked up some parachutes, and I think they were supposed to pick up a spare airplane engine. And I am not sure whether it did or not.

Mr. HATCH. OK. You weren't sure whether they were military?

Mr. OWEN. No, sir, I can, to the best of my knowledge, I think testify without any problem that no NHAO flight carried any arms out of the United States.

Mr. HATCH. OK, now, with respect to the proposal in March of 1986, to have an airplane that had carried NHAO goods to Honduras, to thereafter carry military hardware to El Salvador, am I correct in my understanding that payment for use of the aircraft was to be allocated so that NHAO would only pay for its portion of the trip? In other words, was there any attempt to have NHAO pay for transporting the military equipment?

Mr. OWEN. My understanding, sir, that once the NHAO flight stopped at the airfield, that it then picked up a new, in essence, account number, and that flight was then going to be charged and ended up being picked up by—well, I am not sure who it was picked up by, but it wasn't NHAO.

Mr. HATCH. But like any other flight for hire, is what you are saying?

Mr. OWEN. Right, sir. I was once—as a matter of fact, in one of my memos, Dick Gadd said, "I will fly anything, anywhere, any time; just give me an account number," and I think he tried to distinguish between NHAO and the lethal flights.

Mr. HATCH. Was this particular plan ever actually carried out on this aircraft or any other aircraft flight, to your knowledge, or any, should I say, NHAO flight?

Mr. OWEN. I think in April, as a matter of fact, the Tower Commission refers to it that there was a drop of lethal assistance with an L100, which was the SAT, Southern Air Transport flight.

Mr. HATCH. Was that an NHAO flight?

Mr. OWEN. No, sir. That was privately contracted.

Mr. HATCH. We have heard about the way in which you become involved in your work in Central America. You went from Senator Quayle's staff to Gray & Company, to working with Mr. Calero, to assisting North, to working for NHAO. Is that fairly accurate?

Mr. OWEN. Yes.

Mr. HATCH. What was it exactly that got you interested in the Nicaragua Freedom Fighters and their particular cause?

Mr. OWEN. In 1983, when I was working for Senator Quayle, as I think I stated earlier, John Hull sent me a round-trip ticket from Washington to Costa Rica, and then I expanded it, and I visited a number of refugee camps in Costa Rica and also Honduras.

I was talking with some of the refugees. I was using an interpreter—my Spanish was not that good—but there was a little old lady who had her hair up in a bun. She wore a pulLover blue dress that was held together by safety pins and strings. She had no shoes.

And I asked her how she came to be in the refugee camp. She said, "Two of my sons were killed by the Sandinistas. Two of my sons are now fighting with the FDN. I left Nicaragua with only what I am wearing."

And I said, "Why did you leave?"

She did something where you don't need to understand the language. She made her hand into a gun, like that, stuck it in her back and said she was marched out at the point of a gun, and that was not from the Contras; it was from the Sandinistas. She fled from them.

Mr. HATCH. Was personal profit a motive of yours in getting involved with the Contras?

Mr. OWEN. I think you can ask my lawyer. I still got a defense fund I have to pay for. No, sir, it wasn't.

Mr. HATCH. You actually suffered from a financial standpoint as a result of your efforts and activities?

Mr. OWEN. I guess you can say that. My wife is supporting me right now.

Mr. HATCH. All right.

You are not employed, then, presently?

Mr. OWEN. No, sir, I am not.

Mr. HATCH. Were you ever subjected—you have indicated this, but let me ask it again. You were subjected to physical dangers on some of these trips to Central America?

Mr. OWEN. I guess you could say that, yes.

On one occasion—and actually this is by accident—but a young man was shot only a couple feet from me. It was by accident. There were other times when I had been told there was a potential threat on my life because the Sandinistas knew what I was doing when I was in Costa Rica.

Mr. HATCH. All right. Because you spent a fair amount of your time observing Central America, you have seen these refugee camps, you have been to Managua. Let me just ask you a couple of questions about the situation down there.

Now, as I understand it, you do feel there is a serious threat to your national security interests as a result of Soviet-supported forces in this area?

Mr. OWEN. Yes, sir.

Mr. HATCH. Is that fair?

Mr. OWEN. It is a strategic threat.

Mr. HATCH. What do you think would happen over the next 20 years based upon your experience and observations and your having been in and out of there if Soviet assistance to the Central American forces continues unabated and the United States makes no serious efforts to oppose these types of things?

Mr. OWEN. Sir, it took 20 years from when Cuba became Communist to when Nicaragua became Communist. It is not going to take 20 years next time if we stop. It will be much shorter than that.

Mr. HATCH. I understand you had a great deal of contact with Oliver North from your testimony. Tell us just a little bit about him. What was he like to work with? What kind of man was he? Give us as much as you can.

Mr. OWEN. Sir, in a town which is run by and large by bureaucrats and paper and a lot of the paper is used to cover the tails of the bureaucrats—and I am sorry if I offend some of the bureaucrats.

Mr. HATCH. You have been here. You worked in this town?

Mr. OWEN. Yes.

Ollie North was an enigma. He was willing to get the job done. Sometimes he stepped on toes. As a matter of fact, I think it was

Senator Cohen who called him the first five-star Lieutenant Colonel. It may have been so, but he did it and he got the job done.

I want to use three quick instances.

That cold, rainy night when I passed the money through a window was actually, I believe, his youngest daughter's birthday. She called him three times at seven o'clock, eight o'clock, and nine o'clock and, in essence said, "Daddy, when are you coming home?"

Ollie said, "Don't worry, honey. Daddy is coming home as soon as he can."

By the time he got home, his daughter was asleep. He was willing to take the time to get the job done.

Another instance was when the four U.S. Marine Corps enlisted men were gunned down cold bloodedly in El Salvador. I just happened to be in his office. He was on the phone trying to ensure that when they arrived in Washington, or I should say in the United States, that they were met by an appropriate representation of our American Government.

I believe the Vice President went.

The third time was when Robert Stephan, a United States Navy seaman was kicked to death and shot by terrorists; I was in his office. Colonel North was calling around to see how you get the flags flown at half mast in this city.

He was willing to do anything and everything.

Mr. **Hatch**. He had a lot to do with the Achille Lauro matter?

Mr. **Owen**. Yes, he did.

Mr. **Hatch**. What was his motivation for doing the things he was doing to assist the Contras?

Mr. **Owen**. He believe in their cause. He believed it was just and right. I believe he was working doing what he thought the President wished him to do.

Mr. **Hatch**. OK.

Now, regarding the travelers checks, Mr. Owen, were you aware of Colonel North's using any of these funds for his personal use?

Mr. **Owen**. I was shown during a deposition several travelers checks that had his signature on it, but I don't believe he was using it for his own use.

Mr. **Hatch**. The committee has been tracing these travelers checks. It appears Colonel North himself cashed some of them.

Mr. **Owen**. Yes, sir.

Mr. **Hatch**. I think that is important to go into. Let me ask you a couple of specific questions in that regard.

Do you know why Colonel North may have cashed some of these travelers checks at food stores and gas stations in the Washington area?

Mr. **Owen**. No, sir. I know that on the one travelers check I was shown, it was, I think, traced back to a hotel in Dallas. I would imagine that was for a meeting when he was going to meet with potential donors.

Mr. **Hatch**. Do you know why he may have used or cashed $100 at a tire store in this area for two snow tires?

Mr. **Owen**. No, sir.

Mr. **Hatch**. Do you know why Colonel North may have cashed travelers checks totaling $1,000 to Pan Am Airlines?

Mr. OWEN. I would imagine that that was probably for flights overseas that he didn't want to use U.S. Government funds for.

Mr. HATCH. Have you—you would spend a lot of time with Colonel North apparently?

Mr. OWEN. Yes, sir.

Mr. HATCH. Did you ever notice him take any of these funds and use them for personal use?

Mr. OWEN. No, sir. As a matter of fact, he once joked to me that I potentially was going to be making more money than he was at NHAO. It didn't work out that way.

Mr. HATCH. Do you know anybody who knew him that would accuse him or did accuse him or had you heard rumors he used these funds for personal use?

Mr. OWEN. No, sir.

Mr. HATCH. These were all small funds except for the thousand dollars given to you and your wife for your wedding and the thousand dollars to Pan Am. But there were a number of little checks like this?

Mr. OWEN. Yes, sir.

Mr. HATCH. Now, some people criticized the administration because the actions of various people, including yourself, were conducted in secrecy. We have had some of that sort of questioning here.

The critics assert that the fact you acted secretly proves or shows that you believed your acts to be illegal. I personally would like to hear what you can tell us about why secrecy may have been needed with regard to the activities supporting the Contras in Central America.

My understanding is that certain Central American countries are extremely sensitive to—any activities in their territory that have anything to do with the Contras, although privately they may very well be supportive of what the Contras are doing.

So explain to us, if you can, any understandings you have about the need for secrecy in these matters and whether or not it was solely because you were trying to avoid the law or do something illegal.

Mr. OWEN. Sir, there is no question the Central American countries were very concerned about their integrity. Costa Rica has a stated neutrality policy and has changed presidencies. President Oscar Arias has come down hard on the Nicaraguan resistance in Honduras.

It was only recently they began to admit the Nicaraguans were on their border with Honduras and Nicaragua. I think they were concerned for a couple of reasons.

One is they didn't really know where the United States stood. I mean, here they are providing a haven for these people and they—the Hondurans, as a matter of fact, I think once asked for a treaty between the United States and Honduras stating that if Honduras was invaded by Nicaragua, we would come to their assistance.

I don't think that treaty was ever taken into effect or taken under discussion. They are scared, sir.

Mr. HATCH. They can see this tremendous military buildup, a billion dollars of Russian equipment having come through the Panama Canal and otherwise and the tremendous buildup, 50,000 fulLtime troops and over 100,000 when you consider the militia and others in Nicaragua more than all the rest of Central America combined. They are very skittish and concerned, aren't they?

Mr. OWEN. No doubt about it.

Mr. HATCH. It is difficult to do things openly?

Mr. OWEN. Yes, sir. As a matter of fact, that was one of the problems with NHAO in that Congress asked it to be an overt program and how can you go and ask these countries to run an overt program or allow NHAO officials to come in and oversee the distribution of these goods.

Mr. HATCH. An overt program to help the people fighting against the Nicaraguans?

Mr. OWEN. Right, and the countries had a little bit of difficult time understanding how can you probably ask us to do that.

Mr. HATCH. Mr. Owen, you were in Central America in May of 1984 when a bombing attack was undertaken on the headquarters of the then former Contra leader, Eden Pastora; is that correct?

Mr. OWEN. Yes, sir. I was.

Mr. HATCH. I would say that—why don't you tell us what happened then?

Mr. OWEN. I was down there on a survey for Colonel North. The evening actually that it happened, I was in San Jose. As a matter of fact, Senator, if I can just say, I have been named in a lawsuit in this case, which is absolutely scurrilous, and there is no truth to it.

People have tried to say it was the CIA that tried to kill Commandante Pastora. That I don't believe is the case at all. I had a meeting that night with John Hull and also with the senior CIA official in that government—excuse me, in that country.

We discussed what was going on. And I just was shocked as everyone else was when we learned, about 3:30 in the morning, when some of the Nicaraguans came to the apartment and talked with us, and told us what had happened, John Hull has been accused of masterminding the—or being responsible for it. That is absolutely scurrilous as well.

I am saying this under oath. I think that was very malicious. We were all somewhat saddened, because any time reporters or Americans are killed, it is always a sad time.

I left the next morning and flew on to Honduras.

Mr. HATCH. I would say there has been what some would call a whispering campaign on the part of some individuals to link you with that bombing incident, but you have explained that.

What is your knowledge of the details of the bombing incident?

Mr. OWEN. Sir, there are three theories on it. One is the United States was behind it. I don't give that any credence whatsoever. Eden Pastora received from my understanding, over $3 million from Colonel Qadhafi. Before the bombing, he received a message Colonel Qadhafi wanted him to come and meet with him.

I did not get this second hand. I got this from his brother. I guess it is second-hand, but his brother saw the message. Some people believe Colonel Qadhafi was sending him a message.

Mr. HATCH. This same whispering campaign, and it is vicious, also suggests you were involved in narcotics shipments; is that right?

Mr. OWEN. Sir, people are trying to say that, but there is no truth to that whatsoever.

Mr. HATCH. I know that. After the news broke in November of 1986, did you personally throw away or dispose of your personal records?

Mr. OWEN. Sir, during this whole process, I got rid of a number of records and pieces of paper, notes that I made to myself, weapons lists, other things. I didn't want them hanging around or in a position where someone could come in and find them.

Once the—I had received the subpoena, I did not throw away any documents. All the documents that you have are ones that I probably would have thrown away.

Mr. HATCH. You certainly could have destroyed those, I guess?

Mr. OWEN. Yes, sir.

Mr. HATCH. In disposing of the papers you did, were you attempting in any way to violate the law or impede any investigations or obstruct justice?

Mr. OWEN. No, sir, I was not.

Mr. HATCH. Did you dispose of those papers prior to being served with any subpoena?

Mr. OWEN. Yes, sir.

Mr. HATCH. After being served with the subpoena, did you dispose of any documents?

Mr. OWEN. No, sir, I did not.

Mr. HATCH. In all of your activities, did you ever intend to violate any of the laws of the United States or anywhere else for that matter?

Mr. OWEN. No, sir, I did not.

Mr. HATCH. Did you ever sit down with Colonel North or anyone else to formulate a plan for violating the Boland amendment or any other law?

Mr. OWEN. No, sir.

Mr. HATCH. Were you told that the maps and graphs and other materials you took to Central America were declassified?

Mr. OWEN. Yes, sir, I was.

Mr. HATCH. As far as you knew, they were not classified documents?

Mr. OWEN. That is right.

Mr. HATCH. Did you believe it was legal to deliver those documents?

Mr. OWEN. I saw nothing illegal about it.

Mr. HATCH. Did you feel anything you did was wrong morally or intellectually or ethically or legally?

Mr. OWEN. Sir, I think some may say that I was a reactionary or a right-wing nut, but I don't think so. I did not see that anything I did was illegal.

Mr. HATCH. How about unethical?

Mr. OWEN. Or unethical. Nor would I do anything unethical or illegal. I did, as a matter of fact, on one occasion, when I found out something about what Colonel North was involved in, I questioned it and after that, he did not talk with me about it whatsoever.

Mr. HATCH. How about morally wrong?

Mr. OWEN. Nothing. I would not do anything morally wrong.

Mr. HATCH. Let me ask you a couple of last questions here. Let me ask you specifically what you can tell us about the President's knowledge.

Mr. OWEN. Sir, I have no specific knowledge other than what I assumed.

Mr. HATCH. So, you don't know whether President Reagan knew that Oliver North was having you carry maps and photographs to the Contras?

Mr. OWEN. Sir, I would doubt he did.

Mr. HATCH. If you know, did Colonel North ever inform the President of your deliveries of monies to the Contra leaders?

Mr. OWEN. There would be no reason for him to.

Mr. HATCH. Did Colonel North ever tell you he had personally spoken with President Reagan about the details of what he was doing to assist the Contras?

Mr. OWEN. No, sir.

Mr. HATCH. I take it you don't know one way or the other what the President knew about all of this; is that correct?

Mr. OWEN. That is correct.

Mr. HATCH. Well, I appreciate you having come in. I appreciate the testimony you have given. I appreciate the candor you have used. I appreciate you idealism.

Mr. OWEN. Thank you, sir.

Mr. HATCH. I appreciate some of the explanations you have made. I just want to thank you.

Mr. OWEN. Thank you.

Mr. HATCH. Thank you, Mr. Chairman.

Chairman INOUYE. Thank you very much.

Senator Mitchell?

Mr. MITCHELL. Thank you, Mr. Chairman.

Mr. Owen, I understand this morning that you testified that in the early part 1986, you were employed by Mr. Calero and paid by him, and during that period of time, you wrote periodic reports to Colonel North regarding the situation in Nicaragua; is that correct?

Mr. OWEN. Sir, it is correct it was in late 1984 and 1985, not in 1986.

Mr. MITCHELL. Well, I have before me exhibit number 13. Would you look at that, please? Is that a memorandum to Colonel North from you?

Mr. OWEN. Yes, sir. I thought you had asked me about Adolfo Calero.

Mr. MITCHELL. No. This is dated March 17, 1986?

Mr. OWEN. Yes, sir. I must have misunderstood you.

Mr. MITCHELL. You were—were you at this time employed by Mr. Calero?

Mr. OWEN. No, sir. I was not.

Mr. MITCHELL. This is after you left his employ?

Mr. OWEN. Yes, sir.

Mr. MITCHELL. I think this is serious, a serious document. I think this is an effort by you to sum up the political situation. And I would like to read a few sentences from it, and ask you a couple of questions about it.

Because when you read excerpts from a document, one runs the risk of taking things out of context, if there is any portion of the document I don't read which you wish to read, I hope you will feel free to do so.

Mr. OWEN. Yes, sir.

Mr. MITCHELL. On the first page, the next to the last paragraph says, "Calero is the strong man and the only one who counts in the FDN; what he says is law."

Then, in the next paragraph, you state, "If members of the U.S.G.—" and I assume that is the U.S. Government?

Mr. OWEN. Yes, sir.

Mr. MITCHELL. [reading]—

I think they control Calero, they also have another think coming. The question should be asked, can and does Calero manipulate the U.S. Government? On several occasions, the answer is yes.

Then at the top of the next page, you wrote,

> Perhaps a strong man is the only thing Nicaraguans understand; perhaps Adolfo Calero is the man to lead Nicaragua back to democracy. He is a creation of the U.S. Government and so, he is the horse we chose to ride. I have no problem with this, as long as we know and understand his shortcomings.
>
> The best way to point these out are to take a close look at who he keeps around him, only those whom he intimately trusts. Unfortunately, they are not first-rate people; in fact, they are liars and greed-and power-motivated.

Then, if you would go to the bottom of page 4, the sentence that is the very end of that page then continues on to the top of page 4, you wrote,

> I care and believe in the boys and girls, men and women who are fighting, bleeding and dying. But the reality, as I see it, is there are few of the so-called leaders of the movement who really care about the boys in the field.

Then you place the next sentence in capital letters:

> THIS WAR HAS BECOME A BUSINESS TO MANY OF THEM; THERE IS STILL A BELIEF THE AMERICANS ARE GOING TO HAVE TO INVADE, SO LET'S GET SET SO WE WILL AUTOMATICALLY BE THE ONES PUT INTO POWER.
>
> If the $100 million is approved, and things go on as they have these last five years, it will be like pouring money down a sink hole.

You recall those words that you wrote in March of 1986?

Mr. OWEN. Yes, sir. They are pretty strong words.

Mr. MITCHELL. You by then had been deeply involved in this effort and were intensely committed to it personally; is that correct?

Mr. OWEN. Yes, sir.

Mr. MITCHELL. These are, I think, serious and important conclusions from one who was so deeply involved and committed.

My first question is, do you know whether or not Colonel North shared this memorandum or the views that you have expressed with others in the U.S. Government who were involved in making policy in this area?

Mr. OWEN. No, sir, I do not.

Mr. MITCHELL. Did you provide a copy of this document to anyone else?

Mr. OWEN. No, sir.

Mr. **Mitchell**. Specifically, did you inform Mr. Calero either of the document itself or of the views that you expressed in the document?

Mr. **Owen**. No, sir.

I would just like to say that in another document that I said I believed Adolfo Calero is an honest man. I definitely believe that.

Sometimes one gets too close to things. These are my personal observations and concerns. I had dealings with a number of the different Nicaraguan democratic leaders. I will say that I think it is important that they have a unified effort, and it is important that there are a variety of views that be shared, and I think they have tried to do that, although it is pretty late.

I understand in the last couple of weeks they just had to dissolve the FDN and, in essence, dissolve UNO and start a new organization called the Nicaraguan Resistance.

I hope this will put them on a road to a unified effort to free their country.

Mr. **Mitchell**. In response to questions by Senator Hatch, you made clear that you had no personal knowledge of the President's views on this, since you had never participated or attended a meeting or participated in a conversation with him about these matters?

Mr. **Owen**. No, sir.

But I will say that it concerned me as an American to have the President meet so frequently with the UNO representatives when, at the time—it is not now, but at the time, UNO was sort of a name only, and I thought that perhaps they were putting him out a little bit too far in front.

Mr. **Mitchell**. Did Colonel North ever disclose to you the contents of conversations that he had had with the President on this matter?

Mr. **Owen**. No, sir.

Mr. **Mitchell**. Thank you very much, Mr. Owen.

Thank you, Mr. Chairman.

Chairman **Hamilton**. Mr. Cheney.

Mr. Broomfield.

Mr. **Broomfield**. Thank you, Mr. Chairman.

Mr. Owen, I first of all would like to compliment you on your candor before the committee. I think you have been very honest with the committee, and I wanted you to know how much I appreciate your frankness.

Mr. **Owen**. Thank you, sir.

Mr. **Broomfield**. You testified that Lt. Col. North gave the Contras—and I believe you indicated you took them down there—maps and photographs, if I am not mistaken?

Mr. **Owen**. Yes, sir.

Mr. **Broomfield**. I think the question that bothers me—did Colonel North ever give the Contras any specific military advice, to your knowledge—that is, advice about any specific military operation?

Mr. **Owen**. Sir, not to my knowledge.

I will go back to what I stated on Thursday, and that was the time when I did take down the maps and aerial photographs of a particular target, which I believe he had talked with Adolfo Calero about briefly.

Mr. **Broomfield**. The other question I have to ask—and the reason I ask it is because I find it a little bit hard to believe about all this cash and cashiers checks floating around and how it was delivered and so forth—I guess for the record I am just wondering whether any of that found its way into any congressional elections, campaigns for any of the candidates running for Congress?

Mr. **Owen**. Sir, I can't answer that, not to my knowledge.

Mr. **Broomfield**. Not to your knowledge?

Mr. **Owen**. Yes, sir.

Mr. **Broomfield**. Thank you very much.

Chairman **Inouye**. Senator Rudman.

Mr. **Rudman**. Mr. Chairman, thank you very much.

Let me join my colleague, Mr. Broomfield, in saying I think you have been a very candid witness. You shared, I think, your beliefs and views with us in a very direct and truthful way. We appreciate it.

I hadn't intended to ask you a question, but something occurred on the CBS affiliate in Tampa, Florida last evening—that is WTVT.

Do you know a man named Sam Hall?

Mr. **Owen**. Yes, sir.

Mr. **Rudman**. What is his occupation?

Mr. **Owen**. Last I knew, he was in prison in Managua. They let him out and he is back in this country. I don't know what he is doing.

Mr. **Rudman**. Let me read a transcript from that interview last evening. He was interviewed by a report by the name of Carrie Sanders. I will give you the appropriate parts of the interview that relate to you.

> Question. Did you ever fear when you initially got involved in dealing with Rob Owen, who you knew was connected with the Lieutenant Colonel Oliver North, did you ever feel you were breaking the law, that you could end in jail?
>
> Answer. Rob Owen said to me on two different occasions, one, in his hotel room in Tegucigalpa, and one, in my hotel room, that I had received, I and other American, had received a Presidential pardon, that we would never be found guilty of breaking the U.S. Neutrality Act?
>
> Question. You received a Presidential pardon even before you were prosecuted?
>
> Answer. Right. Right.
>
> Question. And could not be prosecuted?
>
> Answer. That is right.
>
> Question. And you were told that the Presidential pardon would come from the President?
>
> Answer. Right. I was told that by the NSC representative.
>
> Question. Rob Owen?
>
> Answer. Right.

Mr. **Owen**. Senator, you listened to me talk today. I tried to be very candid and honest with you. Do I look like a man who would make a statement like that?

Mr. **Rudman**. I am asking you if you ever made the statement?

Mr. **Owen**. I did not. I realize Sam Hall is the brother of a fellow Congressman to many of you.

One of the reasons that, in essence, you could say he was asked to leave Honduras was because of his desire to go inside Nicaragua, something that no one wanted to see done, and I am not sure he was necessarily capable of making some decisions. That is a lie, sir.

Mr. RUDMAN. You never discussed that with him nor I take it did anyone including Oliver North discuss that with you?

Mr. OWEN. Sir, that would be insane. No, sir, no one did.

Mr. RUDMAN. Well, I am glad to have your answer, Mr. Owen. I was so disturbed by this, this has been a very strange set of hearings, we have had some rather remarkable testimony.

So I advised both Chairman, at noontime I was going to call the President directly and ask him. I found that he was on the road, so I didn't reach him through the chief of staff.

And they just called back when I left the room five minutes ago and I read him that transcript. I said that President ought to have a chance to reply, assuming your answer would be, yes; I didn't know whether it was yes, or no. The President's reply was absolute poppycock.

Mr. OWEN. Sir, I would use stronger language than that, but I won't here.

Mr. RUDMAN. The President is very polite, Mr. Owen.

Mr. OWEN. That he is. A great American.

Mr. RUDMAN. Thank you, Mr. Chairman.

Mr. RODINO. Thank you, Mr. Chairman.

Mr. Owen, I call your attention to exhibit RWO15. Exhibit 15 is your memo, and it discusses in one area an investigation that was going on and I want to know whether or not you can tell me when you first learned of that investigation.

[The exhibit appears at p. 827.]

Mr. OWEN. I think it may have been when I was down there. I just can't really remember. If I can just comment on that case, seeing as you are the one who brought it up. I believe what you are referring to is an allegation that I and others were involved in gun running outside of the United States, particularly two flights that came out of the Fort Lauderdale air field.

Within my meeting to Colonel North, I discussed that. I told him of my concern. I did not know whether there were weapons on those planes or not. There are allegations that was OKed and overseen by Colonel North through me and that is absolutely false.

This investigation, I think, is probably one of the reasons that I brought it to his attention was, because I was told by U.S. officials in Costa Rica that when they did meet with Mr. Feldman who is from the U.S. attorney's office he held up a chart and on that chart on the top of the list was Colonel North's name, and then an arrow to me and an arrow to John Hull saying, "This is how money is distributed. This is how you are running this secret war down here."

I want to clarify along these same lines a statement that many people have taken out of context. Colonel North was not involved in providing John Hull in Costa Rica with $10,000 a month and I did not carry $10,000 a month to John Hull.

That was a private transaction between Adolfo Calero and John Hull. Regarding this memo, all I did was bring it to Colonel North's attention. I was concerned that—from the scope of the investigation that they were undertaking it might impinge upon some of the operations that he was involved in.

Mr. RODINO. You were aware, though, that Mr. Feldman, and FBI agents were going to Costa Rica to conduct those investigations.

Mr. OWEN. When I was down there I obviously learned they were there. As a matter of fact——

Mr. RODINO. Who told you?

Mr. OWEN. I was told by officials in the United States capacity and also by John Hull. He had been contacted by them.

Mr. RODINO. Exactly what were you told?

Mr. OWEN. Just that they were down here, they were conducting an investigation. I was not told necessarily the specifics of it other than as I just told you about the chart that they had. They were looking into this flight that had originated in Fort Lauderdale. I will say my knowledge of that flight is that it originated in Fort Lauderdale and did fly into another Central American country where it was offloaded and this is what I was told later.

I did not know about the flights before they took place. I was then accused of going to Costa Rica specifically to meet those flights when they flew into Costa Rica.

Within my memos, I discussed that no one had any knowledge about these flights from this other—other Central American country coming into Costa Rica until after the fact. The only reason that I ended up being on the same air field as that plane when it landed was because I was with John Hull at his home.

I got a radio message from one of the campesinos on the farm saying, "We have a plane here. We don't know what it is doing here, and they are looking for another air field. Can you come tell them where it is?"

John Hull and I were both shocked to learn that flight had come in.

Mr. RODINO. Do you know whether or not Colonel Oliver North contacted anyone regarding this investigation?

Mr. OWEN. No, sir, I do not.

Mr. RODINO. In that same memo, you make mention of the fact that there was a release which had been prepared, but it wasn't sent out and you use words, "Nicaraguan opposition takes full responsibility for the distribution of all humanitarian aid provided by NHAO, Carlos did not release it, as Justice said, no."

Were you referring to the Justice Department?

Mr. OWEN. Yes.

Mr. RODINO. What did the Justice Department have to say?

Mr. OWEN. At that time UNO was registering as a foreign agent. They were going through the process. I believe they felt it incumbent upon them, meaning the Nicaraguans, to check with the Justice Department before they released a document. And this they did.

Mr. RODINO. How were you—how were you contacted by the Justice Department?

Mr. OWEN. I am sorry. I don't understand. I wasn't contacted by the Justice Department.

Mr. RODINO. How did you know the Justice Department said, no, not to release it?

Mr. OWEN. I was told by one of the Nicaraguans. As a matter of fact, I think it states that in the memo, sir.

Mr. **Rodino**. One last question. I think this morning you testified that following the Attorney General's—there was some statement regarding the Colonel North's indicating that he was going to take full responsibility and that I guess I am going to be the fall guy or something of that sort.

Did Colonel North tell you at that time whether or not you were going to be implicated, whether it would be anything that you might say?

Mr. **Owen**. No, sir, he did not. As I stated earlier this morning on several occasions, he talked about being the fall guy. He said Bill Casey knows it and others know it and I am ready to take that responsibility.

Mr. **Rodino**. Did he tell you about shredding documents?

Mr. **Owen**. No, sir. Because this happened long before he shredded documents, if he did shred documents.

Mr. **Rodino**. Did you learn about shredding documents?

Mr. **Owen**. Only through the news.

Mr. **Rodino**. Thank you very much, Mr. Chairman.

Chairman **Inouye**. Mr. McClure.

Mr. **McClure**. Thank you, Mr. Chairman.

Mr. Owen, I have just a very few questions because I think you have been very open in your comments today and I guess I would add to observe as some that perhaps we should be investigating those who want to aid the Communists in Nicaragua rather than those who want to aid their opponents, but that is another question perhaps for another time, because you are here.

If I could look at, for a moment, direct your attention to the series of documents that appear in the exhibit book. exhibit nos. 13, 14, 15; 13 is March 7, 1986; 14 is March 28, 1986; 15 is April 7, 1986; a series of three documents about a week apart.

Now, the first one that has been made reference to earlier here, document no. 13, in which you more or less are saying in that document, "Hey, this whole thing is a mess; it isn't going to work."

Is that fair?

Mr. **Owen**. I was definitely concerned as to whether it was going to work or not, sir.

Mr. **McClure**. Document no. 14, a week later, quite different in character in talking about specific things that are being done and that will be done.

Mr. **Owen**. If I may——

Mr. **McClure**. I don't see anything negative in that one. Is that correct?

Mr. **Owen**. If I may, I was talking about two different things. I was talking about the political situation, in the next document I was talking about the provisioning of arms and munitions.

Mr. **McClure**. In Document No. 15, that has been referred to several times before, again rather pessimistic statement. Is that correct.

Mr. **Owen**. Yes, sir. Again, that was talking about the political situation. It was not necessarily talking about the military situation.

Mr. **McClure**. You make a distinction between the political and military. You are pessimistic about the material, optimistic about the support activities?

Mr. OWEN. Yes, sir. I would just say what Cossawitz said, and he said, "War is but an extension of politics." I think at times unfortunately some people in this Government turn that around and say politics is but an extension of war, and they weren't as concerned about the politics of the issue and that bothered me.

Mr. McCLURE. Let me turn to exhibit number 15. I think you have that before you.

Mr. OWEN. Yes, sir.

Mr. McCLURE. Now, you refer to a man by the name of Stephen Carr. Who is he?

Mr. OWEN. Stephen Carr, I never met the man, I certainly have heard about him. He was arrested in Costa Rica and jailed for, I believe it was mercenary activities. He stayed in jail, he then, from what I understand, skipped bond and came back to the United States.

Mr. McCLURE. You referred to Stephen Carr, who has done most of the talking.

Mr. OWEN. Yes, sir. He, from the very beginning of his incarceration, started talking about two reporters and he was talking about things I think he did not necessarily know about, but he had glimpses of, there may have been a kernel of truth in some of the things that he said, but also from depositions from various people, he was also being fed information what he should say.

Mr. McCLURE. You say in this Document No. 15, "The name Martha Honey and Tony Avirgon."

Mr. OWEN. Yes, sir. They are two—I don't like to use the word reporters—but that is what they call themselves in Costa Rica. They are also the ones who have named me in their infamous lawsuit.

Mr. McCLURE. And they, you say that there is an affidavit, a notarized statement by Stephen Carr that these two reporters told him what to say?

Mr. OWEN. Yes, sir, there was—this was, I am not sure whether the notarized statement would be legal in the United States, but I was shown a copy of it.

Mr. McCLURE. And Mr. Hull is back in this country today, Mr. Carr?

Mr. OWEN. My understanding is that Mr. Carr died of a drug overdose in Los Angeles.

Mr. McCLURE. Senator Rudman made reference to an interview with Sam Hall. Is he the same Sam Hall to which exhibit no. 16 is addressed?

Mr. OWEN. Yes, sir.

Mr. McCLURE. So you know Mr. Hall?

Mr. OWEN. Yes. I admitted that earlier.

I first met Mr. Hall in, I think late May, early June 1985. I was accompanying Dr. Vern Cheney, who was doing a medical survey of the needs of the democratic resistance. We were with another Nicaraguan doctor, head of the medical program, and we flew up to Roos Roos where the Indians had their camp.

We drove up in a truck and here came this blond-haired American who had shorts on and combat boots and a camouflaged hat and introduced himself as Sam Hall.

Mr. McClure. I think my time has expired. Let me express again my thanks to you for your candor here today and over the last several hours of your testimony. I think it is very difficult for you, but at the same time, I think your idealism shows through, your commitment to a cause in which you did believe.

I thank you very much.

Mr. Owen. Thank you.

Chairman Hamilton. Mr. Cheney.

Mr. Cheney. No questions.

Chairman Hamilton. Mr. Brooks?

Mr. Brooks. Thank you, Mr. Chairman.

I have a couple of questions.

Why were you in Central America in May of 1984?

Mr. Owen. I was down there, as I stated earlier, doing a survey about the needs of the democratic resistance. I was both in Costa Rica and Honduras.

Mr. Brooks. Who paid for the trip?

Mr. Owen. I paid for it out of my own pocket.

Mr. Brooks. Were you at the time employed?

Mr. Owen. Yes, sir. I took private time, private leave from Gray & Company.

Mr. Brooks. From Gray & Company?

Mr. Owen. Yes, sir, a PR firm here in town.

Mr. Brooks. Has there ever been any connection between Gray & Company and the Contras?

Mr. Owen. Sir, if you remember, on Thursday, Gray & Company provided, in essence, a proposal to do work for the Contras, and that was subsequently, a decision was made not to go with it.

Mr. Brooks. Now, in discussing various options on how to support the Contras when their funds ran out, you stated in your deposition that, "There were several nonprofit organizations that were in existence that we had access to and could be used."

Which organizations were you referring to and how did you have access to them?

Mr. Owen. There was a non-profit organization called the Institute on Terrorism and Southern National Conflict which has been started by Neil Livingston. He said he would be willing to use it to help in a humanitarian way the cause of the Contras, so that was basically the only one.

Mr. Brooks. Not the National Endowment for Preservation of Liberty, or Spitz Channell, no dealings with them?

Mr. Owen. I met Spitz Channell once. I believe it was November 1986. I first heard about him in March of 1985. I had a friend of mine came to me once in the summer of 1985 and he was at that time working for Spitz Channell and he was doing what I call smiling and dialing. He was calling potential contributors trying to get them to donate to the cause. He was inviting them to, the description he was given secret briefings at the White House to discuss the situation in Nicaragua.

I was concerned by that terminology and I went to Colonel North and I asked about it and he said, "Well, that is possibly inappropriate, they should change the way that they are asking people to comment," and I think they did that.

Mr. **Brooks**. Did he promise them tours, too, as well as a briefing?

Mr. **Owen**. I don't know that, sir.

Mr. **Brooks**. It looks like you have had a very interesting experience the last couple of years.

Mr. **Owen**. Unique, I guess.

Mr. **Brooks**. I wondered if you had considered writing a book based on those escapades?

Mr. **Owen**. Some people certainly suggested that I should. I am not sure that I will. I don't know, I may try my hand in it. I have done some writing and put some of my thoughts already on paper.

Mr. **Brooks**. Thank you, Mr. Chairman.

Chairman **Inouye**. Senator Nunn?

Mr. **Nunn**. Thank you, Mr. Chairman.

Mr. Owen, you mentioned a few minutes ago in questioning by one of our colleagues, you said—and I am not sure I got every word, it is close in terms of the meaning—you said, on one occasion I questioned about what Colonel North was doing as unethical, and I told North that, and after that North didn't talk to me anymore about that subject.

Something similar to that.

Mr. **Owen**. Something similar, yes, sir.

Mr. **Nunn**. Could you tell us what that was, that subject?

Mr. **Owen**. As I just explained, actually I guess I was talking to Congressman Brooks. When this friend of mine came to me and said he was smiling and dialing for dollars, one of the descriptions he was using was saying that there was going to be secret briefings at the White House.

It was trying to entice people to come into town to pay either a $1,000 or $10,000 for a dinner and briefing. I didn't think that was appropriate.

As a result, they would be using the word "secret" because I felt if the press ever got a hold of it it would be wrong, and I just questioned that.

Mr. **Nunn**. So this is the same thing you were talking about a few minutes ago?

Mr. **Owen**. Yes, sir. There was nothing else I was referring to.

Mr. **Nunn**. Anything else unethical that ever came to you attention you worried about, or complained about to Colonel North?

Mr. **Owen**. That was my, I guess, that was my biggest concern.

There was also a concern that people may have been making a lot of money off this. I felt that if they were raising money it ought to go to the cause they were trying to support, not go into their back pocket.

Mr. **Nunn**. Did you have any particular people you suspected of making profits off of this?

Mr. **Owen**. Sir, there were also rumors. I never knew of of any particular facts.

Mr. **Nunn**. You mentioned in, I believe, your depositions, that you heard both Secord and North talk about selling the so-called network assets to the CIA. In your direct examination you talked about it in these hearings as giving?

Mr. **Owen**. I think that there was both talk about selling and giving, but to the best of my knowledge, the majority of it was discussions about giving. And I can specifically remember Colonel North talking about we want to give this to the agency, and they don't want to touch it. I guess that is what I consider——

Mr. NUNN. Did you hear both the word "sale" and "gift" used?

Mr. OWEN. Probably. But I think as I said, in August or September the word "give" was the word used, not "sale."

Mr. NUNN. In what year?

Mr. OWEN. Of 1986.

Mr. NUNN. In your deposition on page 55, and page 64, and 65, you said that North and Secord mentioned the possibility the agents would "pick up the tab." What did you mean by that?

Mr. OWEN. If I remember correctly, in March there was another meeting, which I attended, I just happened to be in Colonel North's office and there was discussions about this, and I think that may have been where I mentioned "picked it up."

There was a concern, sir, that, I think that they, General Secord and General North, wanted to see these assets used, because here the money was spent on it, they were already in place, and why shouldn't they be picked up?

They may have discussed with them the funds, whether they should be bought to they should be given and I wasn't privy to that.

Mr. NUNN. But you did hear both words used?

Mr. OWEN. Yes, sir, I believe I did.

Mr. NUNN. On another subject, in answer to Senator McClure's question a few minutes ago, you said that you believed in the doctrine that war is an extension of politics?

Some people in the U.S. Government in the Central American situation believe that it as just the opposite that politics as an extension of war. Could you elaborate on that?

Mr. OWEN. Sir, I think that there were times when people were more concerned about the war effort than they were about the politics.

In my view, the Contras are never going to win militarily. They can do their best, but I just don't think it is going to be possible.

People have this vision the Nicaragua people are going to rise up and throw out the Sandinistas like the Nicaragua people did with Samoza, but there is a tremendous gift between the time of Samoza and the time of the Ortega brothers and that is their is now a police state.

In Nicaragua people are not going to risk their lives unless they know there is an excellent chance they are going to be successful, because most of them are too scared. I think that we have not as a government done enough to try and enforce or help the political situation, either with our allies or with the Nicaraguan Democratic Resistance.

I just want to add something here, that as I believe that Mr. McFarlane testified to, it was the belief of Colonel North, and obviously Mr. McFarlane, that you had to show a united effort, and I think although many thought that Colonel North favored Adolfo Calero, I think he had tremendous respect for Adolfo Calero, but I think he also knew that for this to be a success you had to have a united effort, and that it could not be partisan and the FDN was not going to do it on their own, that they needed the help from the Blacks, the Creoles, the Indians and also from the South.

Mr. NUNN. So you are saying right now, today, you still believe if the Contra movement is going to be successful in Nicaragua it won't be by purely military means, it will have to be primarily by political means; is that a fair assessment?

Mr. OWEN. Sir, I think you have to have both.

I think one of the problems is that there has not been enough political pressure. Quite frankly, sir, you know, if I were an American citizen and I didn't really understand the situation, yet I hear the President going on national television time and time again, and he says what a serious threat this is to our Nation, both strategic and in other ways, and then I learned we still have diplomatic relations, we still have Americans traveling freely to Nicaragua, although there is a trade embargo, there are things getting through through Canada or elsewhere.

If I were a common American I would say, what is the threat? Are we serious?

He is talking about his but what is a hundred million dollars going to do? So I think in my view and as humble as it may be, there has to be a reevaluation of the whole program and the process and that if we are serious about it, which I believe that we have to be, we have to take steps to not only show the Nicaraguan s but also show the world we are going to draw the line against communism in Nicaragua.

Mr. NUNN. Thank you very much.

Thank you, Mr. Chairman, my time has expired.

Chairman HAMILTON. Mr. Courter?

Mr. COURTER. Thank you, Mr. Chairman.

Mr. Owen, have you ever directly or indirectly solicited money from private individuals of third countries for the effort in Central America?

Mr. OWEN. As I believe I testified earlier this morning I did make an appearance in front of a representative of, I think it is Country Three, and provided them with envelope that had what I believe was a serial number of a bank.

But that was the only time with a foreign government, and as far as individual solicitation from other people, no, not really, not that I can remember.

Mr. COURTER. Directing your attention to the direction of diversion of money from Iran to Central America, are you personally aware of whether any money was diverted from the weapon sales to Central America?

Mr. COURTER. No, sir. As I testified earlier, although many people thought Colonel North had a propensity to talk, I think there was a need to know, and he did keep confidants, and I was not privy to that. As a matter of fact one time I saw him, and he said, "Aren't you glad you don't know about Iran?" And I said, "Yes."

Mr. COURTER. Let me just touch—you have gone to Nicaragua a number of times.

Mr. OWEN. I will say——

Mr. COURTER. Or Central America.

Mr. OWEN. I have been to Central America a number of times, Nicaragua once when I was—well, I have been there a couple of times.

Mr. COURTER. Now, you also indicated that you worked in refugee camps in Thailand, I believe.

Mr. OWEN. Yes, sir. In 1980, after the world started learning about the horror of Pol Pot, and what he did to his people. I guess I always had an affinity for the South East area because my brother was killed over there, and I wanted to see for myself why he fell in love with the people. So I left education, took my money and I didn't have a job, but I flew over to Thailand, got a job with the U.S. refugee program and started working with refugees.

I started out reading letters from people in camps, from the Lao, from the Cambodians and from the Vietnamese. In this office where we were, they were stacked ceiling high with boxes, pleading, all of them, having letters from people pleading to get out.

I ended up moving to one of the camps, and we would spend eight or nine hours a day interviewing refugees.

Mr. COURTER. You saw a lot of refugees over there?

Mr. OWEN. Yes, sir.

Mr. COURTER. They were in refugee camps in Thailand; is that correct?

Mr. OWEN. Yes, sir. And when I sat day after day listening to their life history, especially the Cambodians who I was working with, there was not a family that was left untouched. There was not a person that was left unscarred by what happened. And I came back in December of 1980. My father became terminally ill with cancer. I came to Washington to see a friend and I visited the Jefferson Memorial, and I don't know whether many of you know, but around the ceiling engraved in the marble is a statement that he made once, and that is, "I have sworn by the altar of God eternal hostility against every form of tyranny over the mind of man." And I guess I took that to heart.

Mr. COURTER. You indicated that you had gone to Central America a number of times and that also you worked with refugee camps in a different part of the world.

You also said a little bit, a few moments ago, that about 10 percent of the population of Nicaragua has already left that country because of the situation down there. These people are now refugees someplace in Central America.

Mr. OWEN. Sir, they are in Costa Rica, Honduras and quite a few Nicaraguans that are now in the United States.

Mr. COURTER. Unless democracy—what is your opinion, unless democracy is restored in Nicaragua, do you think some of these people will end up in the United States?

Mr. OWEN. Sir, I think if we kill the aid program to the Contras we are going to have an obligation to the Hondurans and potentially the Costa Ricans to take some of these people who are willing to fight because we told them we would help them. The Hondurans don't want them on their border, and the Costa Ricans don't want them.

Mr. COURTER. They will come to the United States.

Mr. OWEN. We have an obligation, yes.

Mr. COURTER. And it is not very far here really, is it? You have been to Central America a couple times. Managua to Washington, D.C. is closer than is Los Angeles to Washington, D.C.; is that correct?

Mr. OWEN. Yes, sir. There is the old quote, "This will be the first war you can drive your car to."

Mr. COURTER. Let me ask you just one last question. I was talking to one of the many observers to the elections in El Salvador, and I would imagine one of the most poignant and touching and eloquent statements about democracy was made by a woman waiting in line for 7 hours to vote, when the word in the hills by the Communists insurgents was, "If you vote today you will be dead tomorrow."

But nevertheless, she was standing in the hot sun holding her baby. Her name was La Senora de Martinez. She was asked, "Why are you doing it? Why are you risking your life tc vote?" And she looked up and said, "The rest of the world has made up its mind about El Salvador. Now it is my turn."

Is it your opinion that if the Sandinistas stay in power in Nicaragua there will be no Mrs. Martinez making that eloquent plea in that country?

Mr. OWEN. Sir, in an interview in Playboy Magazine, I believe in 1983, Tomas Borge said, "The one historical prophecy right for what President Reagan is talking about is the revolution will be spread to Honduras, to Costa Rica and El Salvador."

I would like to add a personal note. When I visited Nicaragua in 1983, there was someone I knew. I won't mention his name because I think it would be dangerous for him. He used to, after the revolution, he would drink occasionally with the Ortegas and others and Umberto Ortega turned to him and said, "You know, the real issue is not Nicaragua. The real revolution is not Nicaragua. It is Central America." And I believe that they will spread their revolution for a tyranny to survive. It must export its revolution.

Mr. COURTER. I have no further questions. Thank you, Mr. Chairman.

Chairman INOUYE. Senator Cohen.

Mr. COHEN. You indicated earlier Oliver North called you.

Mr. OWEN. No, sir, I called him.

Mr. COHEN. At that point you had a conversation, and he said, "I will never do anything without authority from others"?

Mr. OWEN. Yes, sir. I believe that is what he said.

Mr. COHEN. You believed him?

Mr. OWEN. Yes, sir.

Mr. COHEN. During the course of your relationship with him you never had cause to doubt that he would do anything but under orders from his superiors, right?

Mr. OWEN. Yes, sir.

Mr. COHEN. Now, you have been watching these hearings rather closely since you, quote, from various members, including myself, and you have heard some testimony that Oliver North engaged in a "shredding party."

Mr. OWEN. Yes, sir.

Mr. COHEN. Do you believe he shredded documents based upon authority or orders from others?

Mr. OWEN. Sir, I believe if he shredded documents, he would have done it to protect the President, because he felt obligated to do that.

Mr. COHEN. In other words, he would have acted on his own?

Mr. OWEN. Yes, sir.

Mr. COHEN. So, it is possible, then, that Colonel North acted during the course of your relationship with him on orders other than his superior's?

Mr. OWEN. It is possible, sir. Many people point or say Colonel North is a cowboy. I don't believe that. I believe that he was acting either under the wing of certain people in the administration.

My personal view—I don't know whether you want that or not—would be Director Casey probably knew everything that Colonel North was doing and was fully aware of it. There may have been others, as well.

Mr. COHEN. Now, in August you applied or interviewed for a job at the Nicaragua Humanitarian Assistance Office of the State Department. I guess you were turned down at that point, weren't you?

Mr. OWEN. At that time Ambassador Duemling, if I remember correctly, wasn't sure how I would be able to fit into his program.

Mr. COHEN. In early October, three Contra leaders signed a letter in your behalf?

Mr. OWEN. Yes, they did.

Mr. COHEN. Who wrote that letter?

Mr. OWEN. Actually, sir, I drafted it.

Mr. COHEN. I thought you did. It had your unmistakable mark, I must say.

Mr. OWEN. I was in Miami meeting with him. We talked about it. They all agreed they wanted me. They didn't have time to draft it. They said, "Why don't you do it?" I did. They signed it.

Mr. COHEN. It was a fairly complicated letter, talking about a 501-C nonprofit tax exempt status and on and on, but more importantly, within that IDEA—by the way, IDEA, did it have any other clients besides NHAO or NHAO?

Mr. OWEN. No other assets.

Mr. COHEN. The only funds that went through it were what went through from the State Department. I believe there may have been another $3,000 or $4,000, and you all have those records.

Mr. COHEN. In the first panel in that letter it states, "The current President is Robert Owen, an individual known and trusted by us."

The reason I am curious about that language is on the memo that has been referred to briefly on March 17, 1986, just 5 or 6 months later, you give another very interesting testament in terms of the relationship.

You say,

> Some people are complaining these people are making money on sweetheart deals. The prices they are getting are not as good as they could be. On several occasions Adolfo complained about Secord and the deal he had, because Secord is connected to Gadd. Adolfo has said he has no choice but to use them. They look at me as one turning the water for you.

Finally, in the last paragraph, you say, "They want me out of the way. They do not trust me. I don't believe they trust you anymore."

What happened in that 5 or 6 months from that period where they are signing a letter saying they trust you, and six months later you are writing Oliver North and saying, "They don't trust only me, but not you, Oliver"?

Mr. OWEN. In that one memo I was referring to one particular one, and that was Adolfo Calero. I can't speak for him. He is going to come up and testify afterwards. He will be able to answer your questions.

Mr. COHEN. But you did speak for him in that letter.

Mr. OWEN. In that letter there was a trust. What happened was—and I think it is clear from my notes, my memorandum, and some of the comments that I made on certain papers regarding what I believe to be important for the broadening of the democratic principles of the Nicaraguan democratic resistance—is that some people saw me within the FDN, saw me as a threat, because I made certain suggestions about people that they should be moved and, therefore, as one person said, you went after one of us; you went after one of the family, and we will take to the mattresses to protect us.

Mr. COHEN. In your statement, your opening statement on page 3, you said that some of the blame rests, or responsibility at least, rests on Congress for initially approving monies to send into the field, young and old Nicaraguans, whose goal was to help themselves return to the native land, and live in peace and freedom.

I think a lot of people, including myself, might agree with that sentiment. I would like to compare that statement with the one that you made, you drafted when you were working for, I believe, Gray and Company, dated February 19, 1985, and in that particular memo that you prepared, you have the following quote:

"If any of the groups publicly adhere to the theme the Sandinistas must be outright overthrown in a civil war, Congress will vote against the stance.". Did you write that?

Mr. OWEN. Sir, I was not with Gray and Company at that time, I was working for Adolfo Calero. I was asked what my views were on putting together a P.R. campaign to try and in essence spread the word, if you will, or move public opinion.

And I obviously made that statement.

Mr. COHEN. Isn't that precisely the point you are making here today, though? The administration has not been forthcoming with the Congress. On the one hand, you and others believe that there will never been peace in Central America until the Sandinistas are thrown out of there, but secondly, more importantly, the administration over a period of years has not really represented the true state of affairs.

For example, I assume that Mr. Calero and the others you came into contact with were not interested in interdicting the flow of weapons going to El Salvador. That is not why they took to the field, was it?

Mr. OWEN. No, sir.

Mr. COHEN. Let me just finish. It wasn't simply to harass the Sandinistas and keep them preoccupied. That isn't why they were dying out there.

Mr. OWEN. No, sir.

Mr. COHEN. They were for a goal, I think you said it well in your opening statement about liberating their country and restoring a sense of democracy.

Mr. OWEN. Yes, sir.

Mr. COHEN. Congress wasn't told that was the goal on the part of the administration. They had been told different things over a period of years. Initially, interdiction of the flow of arms, and secondly, a little bit of harassment, but never mentioning what you, in fact, said in your initial position paper or P.R. paper.

That is, don't ever tell the American people that we really want to throw the Sandinistas out.

Mr. OWEN. When I look back, I was probably wrong. As I said earlier, it is important to have the support of the American people. I think there has been a fear that if we are truthful, and we say the only way you are going to get rid of the Sandinistas is at the point of a gun, which at this point I believe it will take more than just negotiations, because the Communists always negotiate and then they turn around and break those negotiations.

Mr. COHEN. I think you told Senator Nunn it is going to take more than military?

Mr. OWEN. That is right, it will take more than military, but you got to lay out a policy, and you have to lay out your objectives, and your strategy. Though the White House has stated it has done that, I am not sure it really has. I don't think it has taken its case to the American people as fairly as they could.

They have never laid the educational, the psychological, and basic foundation necessary for them.

Mr. COHEN. Thank you.

Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Stokes?

Mr. STOKES. Thank you, Mr. Chairman.

Mr. Owen, you have testified here several times to the joke that was made, or the jokes that were made between you and Ollie North, joking about going to jail. Most people who are engaged in legal activities do not joke about going to jail.

When did you first come to realize you were engaged in criminal conduct?

Mr. OWEN. Sir, I haven't admitted I have engaged in criminal conduct.

Mr. STOKES. Sir?

Mr. OWEN. I have not admitted being engaged in criminal conduct, and I think that is an unfair accusation.

Mr. STOKES. Well, didn't you tell us the Boland amendment did not apply to you?

Mr. OWEN. Yes, sir.

Mr. STOKES. And then you testified further, in reply to counsel's questions this morning, that the Boland amendment further had no criminal penalties attached to it; is that right?

Mr. OWEN. Right.

Mr. STOKES. Did you then—

Mr. **Owen**. Excuse me. I am not a lawyer, so I don't know that, but I don't believe there are any criminal penalties attached to it.

Mr. **Stokes**. Did you, when you appeared before this committee, invoke the fifth amendment?

Mr. **Owen**. Yes, I did. Excuse me. That was in front of the Senate Intelligence Committee. And I did do that here, too.

Mr. **Stokes**. In fact, you were immunized by Senator Inouye?

Mr. **Owen**. Yes, I was, and by Congressman Hamilton as well.

Mr. **Stokes**. Tell us, then, had you testified without invoking the fifth amendment and without being immunized, tell us what crimes you would have tended to incriminate yourself?

Mr. **Greenebaum**. Mr. Chairman, I respectfully object to that question.

Chairman **Inouye**. I must apologize. I wasn't paying attention. What was the question?

Mr. **Stokes**. I withdraw the question.

Let's approach it another way.

Mr. **Owen**. May I make a comment here to you, sir?

Mr. **Stokes**. No. I have a question I want to pose to you.

Mr. **Owen**. OK.

Mr. **Stokes**. Is it your testimony you have done nothing wrong, your conduct was absolutely legal?

Mr. **Owen**. I believe so, yes, sir. And I believe that is the case.

Mr. **Stokes**. Well, then, if that is true, why didn't you come before this committee and just tell your story without having to be immunized?

Mr. **Owen**. Sir, when I received the first subpoenas in December to appear before the Senate Intelligence Committee, obviously there was a state of frenzy. I am not a lawyer. I did get counsel immediately and on advice of counsel, he said, and suggested that I take the fifth amendment.

I was torn. As a matter of fact, although it is privileged, he and I did have several conversations. I was of two minds. One was to come forward and tell the truth and be as honest as I could, as I hope I have been today, and the second one was not to say anything.

Under his advice, he said, "Take the Fifth," and that is what I did.

Mr. **Stokes**. You have referred to Ollie North as a person who you think will ultimately be declared to be an American hero as opposed to being a villain?

Mr. **Owen**. Yes, sir.

Mr. **Stokes**. Is that your statement?

Mr. **Owen**. Yes, sir, that was.

Mr. **Stokes**. Don't you think it rather strange that this man, who you think will be declared to be an American hero, came before the House Intelligence Committee and invoked the fifth amendment, went before the Foreign Affairs Committee of the House and invoked the fifth amendment, invoked the same amendment before the Senate Intelligence Committee? Isn't that rather strange conduct on the part of a hero?

Mr. **Owen**. Sir, I can't speak for him, but I also know that when he made that statement on television, it was well publicized. He said there was nothing that he wanted to do more, but on advice of counsel, he chose not to.

Mr. STOKES. You told us earlier today that you thought he had been treated unfairly. By whom?

Mr. OWEN. Sir, I think that the White House probably was not as fair and honest—certain people in the White House were not as fair as they could be with him. They leaked, my understanding is, they leaked documents on his medical record, which is, I think, an unforgiveable sin to have done that.

They started painting him as a cowboy saying he was the only one responsible, and slowly but surely, the truth comes out that yes, the President had knowledge of some of those things, that there was more involved than just Ollie North, there were other people involved other than just Ollie North.

Mr. STOKES. You have alluded several times to the fact that Ollie North indicated that he had some type of approval from the President. Did he ever say to you that the President knew of what he was doing or approved of what he was doing?

Mr. OWEN. No, sir, I never asked him directly. I was always under the impression that the President would not necessarily know specifics because he is a busy man. He has many things that he has to look over, and I don't think that Ollie North would sit down and say, "Mr. President, I did this today and I did that today."

My view is that—and this is only a personal—my personal observation, that the President may have turned to Ollie North at some point, and possibly Admiral Poindexter was there and Bud McFarlane, and he said, now those Contras, those freedom fighters, they are being taken care of, aren't they?

And Ollie North might have just turned and said, yes, they are, but I have no direct knowledge one way or the other.

Mr. STOKES. That is your assumption?

Mr. OWEN. True. That is just a possibility.

Mr. STOKES. Thank you, Mr. Chairman.

Chairman INOUYE. Senator Trible?

Mr. TRIBLE. Thank you, Mr. Chairman.

Mr. Owen, I, too, thank you for your testimony. Slowly but surely, the pieces of this puzzle are coming together.

Let me follow up a line of questioning pursued by Senator Nunn. You suggested that, you said really in an offhand manner, that there were rumors about people lining their pockets. Let me focus you attention more directly on the activities in Central America.

The committee has received a substantial evidence that Secord and company were overcharging the Contras for arms and materiel. For example, hand grenades marked up by 300 percent.

Now, you are a man who feels passionately the Contra cause is right. You were supporting that cause. Did you know about these activities?

Mr. OWEN. No, sir. The only time that I really knew about prices was in the March transaction put together by General Singlaub, and I am not an arms dealer and don't really know about prices. They certainly looked very fair and reasonable.

Mr. TRIBLE. Now, in terms of the activities sponsored by Mr. Secord and his allies, then evidence of overcharging did not come to your attention?

Mr. OWEN. Sir, there was a concern on—as a matter of fact, it was voiced to me by Mario Calero, Adolfo Calero's brother, in a meeting he had with me, they felt they were getting ripped off by Secord.

That was really the only time that I have ever heard it. As I said, I did not see what the prices were that he was charging.

Mr. TRIBLE. Did you share those concerns with Oliver North?

Mr. OWEN. In one of my memos, I believe it is March 17th, I brought up the concern to Ollie North that—I brought up two concerns, one that people were lining their pockets, and there was a concern about General Secord and some of the people that he has involved in this program.

I also told him about a variety of concerns and Colonel North turned to me and said,

> Dick Secord is a great American, he is honest, he took his own money to set up the programs, and set up the proprietaries. He is doing this not because he is trying to make money, but because he is trying to see a project become successful.

I brought up the fact that at that time, I believed Peter Maas' book, "Manhunt", had come out, which linked him to Clines and Wilson and others, and he pulled out a, I believe, a statement by I think District Court Judge Greene that was a ruling passed down on a suit that General Secord brought against a CBS reporter for slander.

He asked me to read that, and in that suit, it stated that there was no cause for General Secord to have been slandered as he was; so I voiced my concerns. Colonel North said that General Secord was an honest man, and that he was doing what he thought was right, so that put the lie to his concerns.

Mr. TRIBLE. You shared the concerns and to the best of your information there was no followup beyond that?

Mr. OWEN. Yes, sir. As a matter of fact, while I was there, Colonel North picked up the phone and called Secord because I listed several names and companies.

He asked if any of these people were involved in our group or the group and he was assured that they weren't. He obviously knew about Tom Clines and some others, but other names he didn't know about.

Mr. TRIBLE. Do you remember those names, those companies, those activities?

Mr. OWEN. Star Productions was one of them not involved. Stanford Technology obviously was. He knew that was one of them. If I can just throw in something right here, there was a group based out of Miami saying they were working for Colonel North and General Secord and they were trying to set up arms transactions.

Now, there was—they were using that as a cover, but they weren't involved. Some of those names were some of those people involved in that endeavor.

I think it is the March 17 memo.

Mr. TRIBLE. Let me ask you about the disposition of assets. There has been testimony before the committee there was a tension between Mr. Rodriguez and Secord about the disposition of airplanes and other materiel.

Do you know about that?

Mr. **Owen**. I know there was concern.

As a matter of fact, recently a couple of people suggested to me that—excuse me—Mr. Rodriguez had concern about Colonel North and General Secord making money off of this.

I find that hard to believe as far as Colonel North is concerned. Every time I worked with General Secord, which was not often, but when I did come to know him, he always struck me as an honest man.

Mr. **Trible**. Well, I thank you for that testimony. I would simply underscore very much that same testimony was communicated to Mr. North by way of your memo?

Mr. **Owen**. Yes, sir. I voiced that concern because——

Mr. **Trible**. In which you said,

> Some people are complaining these people are making money on sweetheart deals. The prices they are getting are not as good as they should be. On several occasions, Adolfo complained to me about Secord and the deal he has because Secord is connected again. Adolfo has told the people there is no choice, but to use him.

Mr. **Owen**. Yes, sir.

Mr. **Trible**. Thank you.

Chairman **Hamilton**. Mr. McCollum.

Mr. **McCollum**. I would like to make a comment on one of the questions asked you a few moments ago. It implied by taking the fifth amendment there was an implication in that you were admitting some guilt to a crime.

Frankly, being a lawyer, that implication just doesn't square with me. I want to make the comment that I think that under our system of jurisprudence, for years and years and years, people have had the right under our Constitution to take the fifth amendment.

You are not guilty until you are proven to be guilty, and as an attorney, I would advise a lot of people to take the fifth amendment who I didn't believe were actually guilty of crimes.

I think that is an unfair implication.

Mr. **Owen**. Thank you, sir.

Mr. **McCollum**. Let me ask you some questions. I am very concerned about a couple. One of the areas I am interested in is the CIA Station Chief down in Costa Rica. You mentioned that he, I believe, who we talked about as Mr. Castio, planned or visited the planning site for the air strip down there at one time.

That was an allusion you made in your testimony earlier today.

Do you know what exactly Mr. Castio did with regard to assisting the resupply effort to the Contras?

Mr. **Owen**. I was aware of some of it, sir. He did visit the air site with me, the potential air site. We did take pictures. I did provide him with a KL43, I believe is what it is called. I know he was in touch with Colonel North. I think that—he was doing what he thought was right because—and I cant' judge for the legal ramifications of it. I think——

Mr. **McCollum**. Did you discuss it with him?

Mr. **Owen**. No. On a couple of occasions, one, he mentioned he was concerned about some of the people involved because I took down the Peter Maas book. He asked for it and went through it. He was concerned that might be a red herring to some people. But he also did what he could, I think, to help these people who had been inside for a year and a half or more who had not had weapons, who had not had food, and he was doing the best he could to help them.

I think if I can just add one more thing, and that is that at the time, the Southern Front was not structured and was not well put together and I think he tried to do the best he could to help in any way he could.

Mr. McCOLLUM. Did you ever discuss with his role with Colonel North?

Mr. OWEN. No. Not directly. There were—Mr. Castillo was a man I came to know and have tremendous respect for. I think in a way he sort of has been given a bum deal, too. No, I did not.

Mr. McCOLLUM. From any source did you ever learn from whom he received his direction or why under whose orders or authorization he did what he did with respect to the resupply effort? Or if he was doing it on his own? Did you ever learn?

Mr. OWEN. No. I knew he was working closely with Ambassador Tambs and with Colonel North. I am not sure what Ambassador Tambs knew about some of it. I can just relate probably the last conversation I had with Ambassador Tambs and that was in late October of 1986.

I went down to Costa Rica and Ambassador Tambs had already decided to leave and he just turned and said,

> Well, I came down here to try to put together a southern front. That is what I was doing. That is what Mr. Castillo was doing, and that is what you were doing. I think we did our best.

Mr. McCOLLUM. That is as much as you know about it yourself?

Mr. OWEN. Yes, sir. That is as much as I know about it.

Mr. McCOLLUM. We have had some discussion about Adolfo Calero today with us shortly, either today or tomorrow. You have implied there was some misunderstanding perhaps, mistrust that developed between you and he and perhaps Colonel North, and he.

But I am curious as to one thing. You refer to Mr. Calero in one of your memoranda that was marked exhibit 15 that is in front of us, on April 7, 1986, memorandum, and in that you are discussing the problems with the organization, UNO, UNO?

Mr. OWEN. Yes, sir.

Mr. McCOLLUM. One of the other Contra leaders referred to corruption potentially. You have been talking about some of that today?

Mr. OWEN. Yes, sir.

Mr. McCOLLUM. His suspicions of that. But you say on page 2 of this memoranda, on two separate occasions he, the other Contra leader said, "I believe Adolfo Calero is an honest man. I don't believe he would steal or is corrupt."

Is that your opinion as well? Do you share that opinion?

Mr. OWEN. I do share that opinion. I think that one of the things you have to understand in any resistance there has always been a history of backbiting and Machiavellian politics.

This was true in Cuba when the Cubans were trying to go back. It was true in Cambodia. It is true in Afghanistan. You have seven different resistance organizations. I think that was the case with the Nicaraguans. I guess I am somewhat of an idealist. I would hope people put their country first before they put their own personal advancement.

Mr. McCollum. Mr. Owen, I want to change to one other characteristic in this play going on with regard to Central America. That is Felix Rodriguez, Max Gomez. You answered Mr. Trible's questions and some part related to his comments or concerns regarding the quality of the goods, the marking up of the prices and all.

Do you have an opinion about Felix Rodriguez, what kind of person, what kind of man, what kind of motivation?

Mr. Owen. I met Felix Rodriguez first, I think, in January of 1985, and then I met him in March of 1986. I may have met him one other time. I knew Felix Rodriguez from a variety of people.

He was a Cuban who believes fervently in democracy and believes fervently in fighting communism. To my knowledge, when he was working for the Salvadorans, he received on compensation whatsoever although he did get food and a lace to live, but he did it out of the goodness of his heart, because he cared and wanted to fight communism.

He served valiantly in Vietnam and also against Castro. I have no reason to doubt his—to doubt him.

Mr. McCollum. Let me ask you one last question in that regard, not about his characteristics, but with regard to the issue of the arms. You have already discussed the pricing question. There was also a question he raised of the quality of the resupply, the arms being resupplied to General Secord; that he has said in his testimony were validated as perfectly good.

From your observations, do you have an opinion with regard to the quality of the weapons and arms being supplied?

Mr. Owen. Sir, I am not a trained soldier nor have I ever been in the military. It is a little difficult for me to judge that. I do know that because of Felix Rodriguez' concern that one of the Salvadoran generals did go to test fire many of the munitions and he found that they were all of good quality.

I will add that at different times, some of the munitions were packaged in boxes that would cover where they were from or cover their dates of manufacture just as another part of the covert operation.

Mr. McCollum. From your knowledge and observations, you had no corroboration of those suspicions of Felix Rodriguez that the arms were either marked up in price or were defective or deficient?

Mr. Owen. No, sir.

Mr. Owen. Thank you very much. I appreciate that, Mr. Chairman.

Chairman Inouye. Senator Heflin?

Mr. Heflin. Mr. Owen, I would like to ask you about this Manhantan bank or the Chinese market. As I understand from your testimony, you went on at least three occasions, perhaps more——

Mr. Owen. No. Just three, sir.

Mr. Heflin. Just three?

Mr. Owen. Yes, sir.

Mr. Heflin. At the direction of General Secord, to go to a bank upstairs or to this Chinese market when the bank was closed. You gave certain code words.

You received money in envelopes and then you took them—took the envelope with the money and gave it back to General Secord; is that a summary?

Mr. OWEN. On one occasion. On two other occasions, I believe, I gave them to Colonel North.

Mr. HEFLIN. These were not travelers checks?

Mr. OWEN. Sir, the only time I knew that I was carrying was when I counted the 95 one-hundred dollar bills. I didn't look in the envelope.

Mr. HEFLIN. You told us it had feel as if it were money?

Mr. OWEN. Right.

Let me just rephrase my answer. That may have been one time that my expenses and my air fare was taken out of one of the envelopes. It may have been cash or travelers checks. I just don't remember which.

Mr. HEFLIN. You don't remember whether it was checks or travelers checks?

Mr. OWEN. It would have been travelers checks.

Mr. HEFLIN. Not money?

Mr. OWEN. Yes, sir, the travelers checks were always unsigned.

Mr. HEFLIN. Were these the same travelers checks that you received yourself when you received travelers checks?

Mr. OWEN. Sir, as I said, I am not sure about the three times I went to New York, all I know is definitely the cash that I can remember. It is kind of difficult to forget 95 one-hundred dollar bills.

Mr. HEFLIN. Was it 95 one-hundred dollar bills or travelers checks?

Mr. OWEN. When I picked it up from the Chinese market there were 95, one-hundred dollar bills. The other two times I don't really remember.

But anytime prior to that when I received travelers checks from Colonel North, they were all from the same banks that I received travelers checks from Adolfo Calero. So it is just one of the pieces of evidence that the money that Colonel North was passing out was actually Adolfo Calero's money.

Mr. HEFLIN. Well, obviously if it was cash and it was coming from General Secord, going to General Secord at his direction, it was not money coming from Secord.

Did you have any reason to believe that these were monies coming from Mr. Calero or from another source?

Mr. OWEN. I am sorry. I may have missed that. The money I brought back from New York?

Mr. HEFLIN. Yes.

Mr. OWEN. No, sir. I have no idea where they came from. I imagine they may have come from a wire transfer from an overseas bank. I just don't know. But I don't believe that they were coming from Adolfo Calero.

Mr. HEFLIN. Well, I wonder whether this is another money trail that we haven't identified?

Mr. OWEN. Sir, I was asked during my deposition if I could remember the name of the bank, and one of the names given out was the Republic Bank of New York. Was that it?

Something like that; I just can remember. I think it would have been the same trail. I don't know it is a different one. I just can't answer that.

Mr. HEFLIN. All right, sir. Now were you paid your salary in travelers checks?

Mr. OWEN. Yes, sir. I just again reiterate the reason we used travelers checks is because we didn't think there would be receipts.

Mr. HEFLIN. What was the date that you were under the employment and receiving compensation from Calero? The dates?

Mr. OWEN. I believe I started in December 1985. I think—excuse me. It would be December 1984. It would have ended in October of 1985. Somewhere around there.

Mr. HEFLIN. Then you went with NHAO?

Mr. OWEN. Yes, sir, NHAO.

Mr. HEFLIN. How were you paid, always on a certain date?

Mr. OWEN. From Mr. Calero?

Mr. HEFLIN. Yes.

Mr. OWEN. No, sir. It was sort of catch as catch can. He was a busy man.

He was traveling; I was traveling. I would—whenever I saw him, it was about the end of the month, I would give him, in essence of—a reading of what it was that I had spent on transportation and other things and also the $2,500. Sometimes it would be a month and half later, 2 months later. Just varied. It wasn't any set pattern.

Mr. HEFLIN. Did you keep a record of those travelers checks?

Mr. OWEN. No, sir, I didn't.

Mr. HEFLIN. Did you report them on your income tax return?

Mr. OWEN. Yes, sir.

Mr. HEFLIN. You reported the full amount?

Mr. OWEN. I just reported what I received. I did not—let me clarify that in that I talked to an accountant regarding the reimbursement of expenses, and the reimbursement of expenses, they felt, was just a wash. It was in one hand and out the other, so I did not report those.

But I did report the cash, the $2,500 a month that would be my salary. To the best of my recollection, I don't think I would want to cheat Uncle Sam.

Mr. HEFLIN. Had you acted as an courier to carry money to another organization, including the public relations firms, political consultants, or fundraisers?

Mr. OWEN. No, sir, I did not.

Mr. HEFLIN. You haven't carried any money involved to any organization relative to Angola or Afghanistan or any of those countries?

Mr. OWEN. No, sir, I did not.

Mr. HEFLIN. That is all.

Chairman HAMILTON. Mr. Boland?

Mr. BOLAND. Mr. North, in your testimony, you indicate——

Mr. OWEN. I am Mr. Owen, sir. Sorry.

Mr. BOLAND. Mr. Owen, in your testimony, you indicated that several U.S. Government personnel provided assistance to efforts to resupply the Contras.

Specifically what sort of assistance did Colonel James Steele, the military assistant group commander in El Salvador, supply?

Mr. OWEN. I can only talk what I know and what I saw. In January of 1986, when we took down some Butler buildings, which was on a NHAO flight, he oversaw the unloading and helped us get the assistance from the Salvadoran government.

Then again on—I guess March 24, March 25, he sat in on meetings when we were discussing how we could try to pick up after the mess that was left by us not being able to pick up the arms in the other airfield.

Mr. BOLAND. What about the kind of assistance that Ambassador Lewis Tambs provided?

Mr. OWEN. Sir, I think, as General Secord commented, he probably just provided moral support. Whenever I was in Costa Rica—and most of the times I was in Costa Rica, I would go and meet with him and let him know what I was doing regarding NHAO and how the program was going. But as far as specific help, none that I know of.

Mr. BOLAND. You testified in a response to a question by Senator Boren that sometime late in 1985, you had a discussion with Richard Gadd.

At whose direction did that discussion occur?

Mr. OWEN. Sir, I was, I guess, directed, or it was suggested that I talk with Mr. Gadd by Mr. North.

Mr. BOLAND. Didn't Colonel North ask you to have a discussion with Richard Gadd?

Mr. OWEN. Yes, sir. That is what I just said.

Mr. BOLAND. And did Colonel North tell you why he wanted you to assist Gadd?

Mr. OWEN. I believe it was because he felt that Richard Gadd could provide the assistance necessary in setting up the chartering of the flights for the NHAO. I did not know at that time that he was also involved in the private air operation. I subsequently learned that.

Mr. BOLAND. What was the name of Richard Gadd's transportation company?

Mr. OWEN. I can't remember whether it was—would use the firm Airmach or Mach Air. Those were two firms that were used.

Mr. BOLAND. I think it is Airmach.

And you also indicated to Senator Boren that you had discussion with Mario Calero.

Mr. OWEN. Yes, I had discussions with a number of the Nicaraguans.

Mr. BOLAND. What was the time frame within which you were employed by the Department of State as a consultant for NHAO?

Mr. OWEN. I am not sure that I was directly employed. IDEA was. The contract started in—I believe it my have been the last couple of days of October and went to the last of May 1986, the last couple days of October 1985.

Mr. BOLAND. You were not paid by travelers checks for that operation, were you?

Mr. OWEN. No, sir. They were direct transfers into IDEA's bank account by the State Department.

Mr. **Boland**. I understand what you did testify that you kept Colonel North advised of the Contras' need for arms even after you went to work for NHAO; is that correct?

Mr. **Owen**. Sir, I thought that it was important that I keep him advised of any information I came upon and that I learned. So, yes, I did keep him advised of that.

May I add these were concerns, or, I should say, supplies, that were needed for the south. The FDN was fine, but this was the southern effort, the southern front, as it was called.

Mr. **Boland**. Of course, as a consultant for the State Department for the NHAO, you were in a pretty good position in which to indicate or find out precisely what the military equipment needs were for the Contras; is that a fair statement?

Mr. **Owen**. Well, I traveled back and forth. I met constantly with Nicaraguan leaders in the south, both the Creoles, Kesone, which was the Indian movement, and also Negro Chomorro, who was head of the southern group. So, I had easy access to them.

Mr. **Boland**. Thank you, Mr. Chairman.

Chairman **Hamilton**. Mr. DeWine?

Mr. **DeWine**. Thank you very much, Mr. Chairman.

Mr. Owen, did you ever give Sam Hall any money?

Mr. **Owen**. Yes, sir. As a matter of fact, in a letter that is one of the documents, I talked about leaving $400 for him to get an airline ticket back to the United States. After I met Sam Hall, he ended up coming back to the States.

I put him in contact with General Singlaub. I believe that he flew out to Colorado and met with General Singlaub, or at least they had several conversations over the phone.

It was agreed that General Singlaub would work with Sam and try to help him. I am not sure whether they set up a retainer or not. I know he got his expenses taken care of for a short period of time.

Mr. **DeWine**. Are you aware of how much money General Singlaub may have given?

Mr. **Owen**. Again, in one of the memos, just going back to refresh my memory, about $1,500. Sam, when he came out of Honduras, he felt he had been brought without ample time to bring his possessions and felt he had left $2,500 behind of his own personal goods and wanted to be reimbursed.

I subsequently learned someone asked for a list, and it was passed on to General Singlaub. I subsequently learned, according to one person, they had brought some of those things back. General Singlaub——

Mr. **DeWine**. Why did you give $400 to him?

Mr. **Owen**. So he would have an air ticket to get out of there.

Mr. **DeWine**. Where did that money come from?

Mr. **Owen**. It was money that ended up coming out of my personal pocket. I never asked General Singlaub for it, nor did Mr. Calero reimburse it. I don't think he ended up using that money.

Mr. **DeWine**. Did Sam Hall ever work for you?

Mr. **Owen**. He worked with me. He was working at the time for General Singlaub.

Mr. **DeWine**. What did he do for General Singlaub?

Mr. OWEN. There were a couple of things. When he came back—I imagine it was you that introduced it as a piece of evidence, it is called the Rainbow Mission. It was a military operation that he wanted to undertake.

He felt that he could provide the training and necessary overviews for the Indians to put together a combined three- or four-pronged military operation. He provided a copy to General Singlaub.

Mr. DEWINE. For my colleagues, this is, I believe, the last exhibit in the book which is marked RWO19.

[The exhibit appears at p. 846.]

Mr. OWEN. He brought this to the attention of General Singlaub. He looked at it, General Singlaub was concerned as to whether Sam would have the military competency to oversee it. Sam ended up going back to Honduras in late July, I imagine. I put together a meeting between Sam Hall and Aristed Asenchez, who at that time was the underground person in Honduras.

The thought was Sam might be able to be in essence a liaison between the Indians and FDN, because there was a lot of friction between them. Sam Hall said that he would be able to do this.

Aristed Asenchez agreed to it in the beginning, but very quickly after that, the Indians made a decision it was not appropriate. Also, we learned he wanted to not only train the Indians in this operation, but he wanted to go inside as well, and that was not something either General Singlaub or anyone else would want to have happen.

Mr. DEWINE. Briefly, what was the Rainbow Mission? I only have a couple of minutes left.

Mr. OWEN. As I said, it was a military operation to hit a few Sandinista targets at a consecutive, or actually all about the same time and on the same date, to make a major military strike.

Mr. DEWINE. Let me turn and make reference now to another exhibit, which is the exhibit immediately preceding that, and that is a letter I believe from you to Sam Hall; is that correct? That would be RWO——

Mr. OWEN. Yes.

Mr. DEWINE. 18.

[The exhibit appears at p. 844.]

Mr. OWEN. Yes, sir. It was a letter sent out by someone who was going to be seeing him. He was out in Rus Rus at the time. Communications were very poor, but he hoped this would get to him. I am not even sure he ever got this.

Mr. DEWINE. Let me read part of this to you.

> I am leaving $400 with . . . for your flight home. It is my understanding your $1,500 has reached your account. The General had it traced to the major holding bank which owns your bank. If there is a problem, let the General know.
>
> I am sure you have a myrid of questions running through your head, probably the biggest being, 'Will I come back?' That is something that only the Indians can answer and that will only be after their Assembly. At that time, they will contact General Singlaub.
>
> He has returned to the States today but I did talk with him this evening. He is in full agreement with the Indians and their decesion and understands the politics. He asked me to pass on his appreciation to you for always following orders and knows you will respect this one. When you get to Tegu please call him.

I would like for you to comment again, if you could, about this relationship between the General and Sam Hall and how long this relationship, to your knowledge, continued.

Mr. OWEN. It was a somewhat short-lived relationship.

Mr. DEWINE. About how long?

Mr. OWEN. A couple months. As a matter of fact, I am not sure when the last time it was, it may have been in August when Sam came back to the United States that he contacted the General.

Mr. DEWINE. Besides expenses, did he receive any other compensation from General Singlaub?

Mr. OWEN. No, sir, I don't think so.

Mr. DEWINE. He was not on payroll in any way?

Mr. OWEN. Not that I know of. Sam Hall, if I can just say, is a man who meant very well, he believed he had a cause to serve. I think the concern was sometimes he got carried away and didn't necessarily use good judgment.

It was felt for his safety and the safety of those people he was working with, it would be best he not be in Honduras.

Mr. DEWINE. Thank you very much.

Thank you, Mr. Chairman.

Chairman HAMILTON. Mr. Jenkins?

Mr. JENKINS. Thank you very much.

Mr. Owen, I have only two or three questions.

In your memo concerning the southern front dated April 1, 1985, you indicate that weapons and ammunition can be purchased on the black market to start, AKs go for about $300 a piece.

What is an AK?

Mr. OWEN. It is an AK-47, either a Soviet or Chinese-made missile, assault rifle.

Mr. JENKINS. So you were somewhat familiar with prices of weapons on the black market back then?

Mr. OWEN. Sir, it was common knowledge back then what things were going for.

Mr. JENKINS. I want to move forward to your employment. Who formed IDEA?

Mr. OWEN. Sir, I did. I formed it because I believed there was a need in Washington for an organization to help various resistance group when they came to Washington, and I thought that perhaps I could try and help fill that need.

I will say the money for forming it originally came from Adolfo Calero. He did not know what it was being used for. But that was true with CDEA, too. That was the money used to pay the lawyer.

Mr. JENKINS. Did you discuss that with General North or General Secord as far as forming IDEA?

Mr. OWEN. No, not with General Secord. One of my first memos or letters to Colonel North from November 1984 I did say I was leaving at that time to start, I thought, a 501(c)(3). Eventually we did, but it was never used until I approached NHAO with that possibility.

Mr. JENKINS. When was it formed? I'm sorry.

Mr. OWEN. It was formed initially in January 1985. If I can just add one more thing, there was one thing that it did do. It sponsored two young men to go down to Honduras and do a report on human rights violations by the Sandinistas.

Mr. JENKINS. How many employees did IDEA have?

Mr. OWEN. Myself.

Mr. JENKINS. Did it have an office?

Mr. OWEN. I worked out of my home.

Mr. JENKINS. Out of your home?

Mr. OWEN. Yes, sir.

Mr. OWEN. When you had this corporation negotiate for a contract with the State Department——

Mr. OWEN. Yes, sir.

Mr. JENKINS. At that time you were the only employee?

Mr. OWEN. At that time I wasn't an employee. I wasn't receiving my money. So I mean I worked for it, but it was all on a volunteer basis.

Mr. JENKINS. But you were the only principals of IDEA?

Mr. OWEN. Yes, sir.

Mr. JENKINS. When you wrote the letter for recommending your corporation for the contract with the State Department on October 3, 1985, that you have previously testified to, you indicate or have Calero indicate to the State Department, "We would like your corporation, IDEA, to receive a monthly amount of $4,650 for the fulL-time services of Mr. Owen."

You prepared this letter——

Mr. OWEN. Yes, sir. And I guess you are probably asking why I chose that amount, and it was just one number that I think was agreed upon. I didn't really know what to ask for and it was something the three of them—the three resistance leaders talked about, and they said, "Why don't you use that." It may have come from me or it may have come from them, I don't know. I don't remember.

Mr. JENKINS. Well, this money was coming from the State Department, was it?

Mr. OWEN. I may have jumped ahead of you. I thought you were asking about why did I arrive at that decision for that salary or that money.

Mr. JENKINS. Is that what you received?

Mr. OWEN. No, sir. Within the contract it was written the most I could receive would be $3,650 a month. I chose to take $3,350 so the extra $500 could be used for expenses, and as a matter of fact on two of the months I took much less than that, and at the end of the contract there were no funds left to cover over a thousand dollars worth of expenses. So then that also came out of my own pocket or out of the money that I was reimbursed for salary.

Mr. JENKINS. When did you place it in the letter, "the fulLtime services of Mr. Owen," when you recognized there would be times you would have to be working for Colonel North?

Mr. OWEN. I guess if I had it to do over again, I wouldn't have written that.

Mr. JENKINS. This was for a lump sum of $50,000 maximum?

Mr. OWEN. Yes, sir. That covered all of my travel expenses, my per diems and all of those papers that you have.

Mr. JENKINS. Out of this $50,000 did you ever have to hire anyone else to do any work?

Mr. OWEN. No, sir.

Mr. JENKINS. Who was your superior at——

Mr. **Owen**. There was—I'm sorry.

Mr. **Jenkins**. At the State Department?

Mr. **Owen**. Ambassador Robert Duemling. I would like to make a comment about Ambassador Duemling. When we first met, I think there may have been some concern on his part that I was being forced upon him.

I came to have a tremendous amount of respect for Ambassador Duemling. I think he did a credible job in a decision, and I think it is sad the way the State Department has treated him. He is walking the linoleum jungle. He doesn't have a job.

Mr. **Jenkins**. Did you make any reports to the State Department.

Mr. **Owen**. Yes, I made a number of reports which you all have copies of them to UNO and NHAO. They were talking about trying to keep them informed of what I was doing.

Mr. **Jenkins**. Did you try to extend the contract?

Mr. **Owen**. No, sir I did not. As a matter of fact it had already been somewhat extended because there were funds left over the end of March and we said, "Why don't you stay on and complete the use of the funds."

Mr. **Jenkins**. So you just used up the $50,000?

Mr. **Owen**. Yes, sir.

Mr. **Jenkins**. I think my time is up. Thank you, Mr. Chairman.

Chairman **Hamilton**. Mr. Fascell.

Mr. **Fascell**. Thank you, Mr. Chairman.

Mr. Owen, let me pick up with the Institution for Democracy and Education Assistance. As I recall your testimony on the first day, you were asked by Ollie North to draw up some kind of operational plan containing three elements. One was the use of 501(c)(3) corporations, either new ones or ones in existence. Is my recollection correct?

Mr. **Owen**. Yes, sir, I did do that. There was a memo to that effect.

Mr. **Fascell**. It was after that that IDEA was set up by you.

Mr. **Owen**. Yes, sir. That memo was in—I believe it was in April or early May 1984, and IDEA wasn't started until January 1985.

Mr. **Fascell**. Had you ever set up one of these 501(c)(3)'s before?

Mr. **Owen**. Sir, I hadn't done any of this before.

Mr. **Fascell**. OK. I just wondered. So you had to have a lawyer.

Mr. **Owen**. Yes, sir, I did.

Mr. **Fascell**. Who was it that gave you the legal advice on setting up the 501(c)(3)?

Mr. **Owen**. The lawyer's name was Sam Crutchfield.

Mr. **Fascell**. Had you known him before?

Mr. **Owen**. No. He was recommended to me.

Mr. **Fascell**. Who recommended him?

Mr. **Owen**. A mutual friend. Not Colonel North.

Mr. **Fascell**. Now, you were for all practical purposes, as you testified, IDEA, right? Just one person?

Mr. **Owen**. Yes, sir.

Mr. **Fascell**. Now, when you ran out of contract money from State, what happened to IDEA?

Mr. **Owen**. There was a thought that another friend would be able to receive monies from a foundation, so the people that were on the board, two of the people that were on the board, resigned.

The friend came on as president and I stayed on as chairman, and it hasn't received any funds since.

The foundation money was not approved.

Mr. **Fascell**. So you were out for all practical purposes at that point and the organizational shell is turned over to somebody else, a friend of yours?

Mr. **Owen**. Yes, sir, although I stayed on the board, the bylaws and corporation was such that it would go along with what he was trying to do.

Mr. **Fascell**. Who was this friend of yours?

Mr. **Owen**. A fellow by the name of Bruce Cameron.

Mr. **Fascell**. Is the organization still in existence?

Mr. **Owen**. Right now it is being audited by the IRS, but it is still in existence as far as I know. No, it is still in existence.

Mr. **Fascell**. Were you still on the board at the time it went out of existence? When you say it is not in existence, I don't quite understand.

Mr. **Owen**. It is basically sitting on a shelf, sir. There is a bank account with maybe a few dollars in it and there are the corporation papers. I am still on the board, but for all intents and purposes it is a shelf organization.

Mr. **Fascell**. Has anybody advised you as to what the legal statutes of the organization is?

Mr. **Owen**. No, other than the IRS is investigating, and I would assume that unless they find something wrong with it that it would still be able to exist. I think it is——

Mr. **Fascell**. Is the purpose of the organization as far as you understand now still the same that it was when you were running it?

Mr. **Owen**. As far as I know.

Mr. **Fascell**. I see. All right.

Mr. **Owen**. It was set up under the bylaws for basically several different purposes: educational and humanitarian purposes.

Mr. **Fascell**. Did the organization while you were the principal have any contractual arrangements other than what you have already testified about?

Mr. **Owen**. No, sir.

Mr. **Fascell**. The basic and fundamental contractual arrangement was your services? Is that correct?

Mr. **Owen**. It was the organization's services and I was working for the organization.

Mr. **Fascell**. Now, Mr. Owen, did you at one time sometime in 1980 make a trip to Costa Rica and attend a meeting at which Mr. Gomez was present and Mr. Jonathan Miller was present?

Mr. **Owen**. Yes, I did. That was in—for the March 1, 1985, accords, which was bringing out the physical unity document of the Nicaraguan resistance.

Mr. **Fascell**. What was the purpose of the meeting?

Mr. **Owen**. Of the Nicaraguans meeting?

Mr. **Fascell**. No, no, of Gomez and Miller meeting.

Mr. **Owen**. Jonathan Miller at that time was working for the Office of Latin America Public Diplomacy, and Frank Gomez was on contract with the State Department.

It was my understanding that they were there to insure that the unity document and the press conference that the Nicaraguans were going to have was publicized as best as possible.

I went along more just to see if there was anything I could do. I would—my services really weren't used, although I did keep in phone contact with Colonel North.

Mr. FASCELL. So, as far as you were concerned, they were on official business; is that correct?

Mr. OWEN. Yes, sir.

Mr. FASCELL. Thank you, Mr. Chairman.

Thank you, Mr. Owen.

Chairman HAMILTON. I think the exhibits RW01 through RW017 have not been made part of the committee record, and I move we do so at this time.

Chairman INOUYE. Without objection, these documents will be made part of the record and appropriately numbered.

[The exhibits RWO1 through RWO17 appear at pp. 776 through 831.]

Chairman HAMILTON. Mr. Owen, all of us, I think, on these two committees respect your conviction and your sincerity and your dedication, and we really do appreciate your testimony.

You said in your opening statement you wanted to contribute to an understanding of why these events happened, and I think you have, and we appreciate that.

Earlier, you mentioned almost as an aside that you thought Director Casey knew everything that Colonel North was doing.

Why did you think that?

Mr. OWEN. There are a couple reasons. There are times I would be in Colonel North's office, and he would have phone conversations with the director. There was one time when I was coming out and the director was going in or vice-versa.

Also, I remember once when I was talking with Colonel North and he said that when a decision was made or when it was known that the Contras were not going to have any more funds, the director approached him and asked him who the best person would be and at least try to help them through this process.

So, I think those few times and through some of the things that Colonel North said, including the fact he would be a fall guy and Bill Casey agrees with that, that that was my assumption.

Chairman HAMILTON. And so, your assumption was Colonel North kept in very close touch with Director Casey on a regular basis, is that it?

Mr. OWEN. Yes, sir.

Chairman HAMILTON. I just had a few questions about that Costa Rican airstrip.

You had a talk with Ambassador Tambs about that in August of 1985, is that correct?

Mr. OWEN. To the best of my knowledge, I think I met with him when I was down there for that trip, yes.

Chairman HAMILTON. Was he aware that the airstrip was going to be used for drops of weapons to the Contras on the southern front?

Mr. OWEN. I am not sure if he was specifically aware it was going to be used for drops. There was certainly knowledge, obviously, it was going to be used for a safety net for planes that were going to be providing assistance to the resistance inside.

Chairman HAMILTON. Did he think it was going to be used as a means of supplying the Contras?

Mr. OWEN. There was certainly that indication. He knew what it was going in for.

Chairman HAMILTON. Was he aware that you were acting on behalf of Colonel North at the time you were down there in August of 1985?

Mr. OWEN. Yes, sir. And I met Ambassador Tambs for the first time—I believe it was in July, 1985, in Colonel North's office. He was coming in as I was going out or, again, vice-versa. Ollie introduced me to the Ambassador and said, "This is Rob Owen."

Chairman HAMILTON. Did you have conversations with him about the need to find a method of supplying the Contras in the south?

Mr. OWEN. Sure. I think so. I mean, just to keep him abreast of one of the biggest concerns for NHAO, was the inability to bring in what we called Class II goods, which would be boots, uniforms, and other such things, and there was a concern as to how that could be done, and we talked to the Ambassador about that.

Chairman HAMILTON. Did he work with you and with the senior CIA official in Costa Rica to get the airfield established?

Mr. OWEN. I don't know whether he did or not. The only person I worked with in that regard was the senior CIA official, and that was with a couple Costa Rican officials.

Chairman HAMILTON. In September 1986, did you learn there were threats by the Costa Rican government to expose the airfield?

Mr. OWEN. I had heard those things. I think I was down in Costa Rica in October, and I met with the Ambassador at that time. I think he made some comments about that.

Chairman HAMILTON. So, he knew about it?

Mr. OWEN. Yes, sir, he did.

Chairman HAMILTON. And what did Colonel North do about that? Do you recall?

Mr. OWEN. Sir, I have no direct knowledge of that. I think you are referring to whether he made a phone call. I don't know whether he did or not.

Chairman HAMILTON. You have no direct knowledge.

Do you have any indirect knowledge?

Mr. OWEN. Only what I read in the press, in the Tower Commission.

Chairman HAMILTON. Do you know whether Ambassador Tambs contacted anyone in the Costa Rican government?

Mr. OWEN. Sir, there was a concern. I think Ambassador Tambs and a senior CIA official knew when there was a change of government that there may potentially be problems, and that Oscar Arias stated Costa Rica would maintain its neutrality.

There was an understanding things may change, and subsequently, they did. A number of the resistance homes were raided, people were jailed, and so forth.

So, there was a complete change of atmosphere from under the former president of Costa Rica.

Chairman **Hamilton**. In that conversation you referred to earlier on in response to a question by one of my colleagues, did Ambassador Tambs say to you that he had a role and he was proud of that role in being able to create the southern front as he had been instructed to do?

Mr. **Owen**. I believe his comment was something along those lines. He was sent down there to help set up the southern front and that is what he tried to do.

Chairman **Hamilton**. Thank you, Mr. Chairman.

Chairman **Inouye**. Thank you very much.

Chairman **Hamilton**. Mr. Chairman, excuse me. I understand that I did not include exhibits RWO18 and 19, and would you include those in the record as well?

Chairman **Inouye**. Without objection, so ordered.

[The exhibits appear at pp. 844 and 846.]

Chairman **Inouye**. Mr. Owen, in response to a question by one of my colleagues, you indicated that you were aware of the shredding of documents by Colonel North; isn't that correct?

Mr. **Owen**. I was only aware of it through the newspapers, sir.

Chairman **Inouye**. And then you were asked why do you believe, why do you think Colonel North shredded those documents, and you responded to protect the President?

Mr. **Owen**. That is what I responded, sir.

Chairman **Inouye**. Can you describe or identify those documents that could have incriminated or injured the President that were shredded by Colonel North?

Mr. **Owen**. No, sir. I would just relate the conversation that I had with him, I believe it was on that Monday before Attorney General Meese went in front of the public, and that was, he had felt that the whole story should have come out before, in a different way than it has and he was upset that it was coming out now.

I think his major concern that he may have stated at that time is, he just hoped it didn't reflect poorly upon the President.

Chairman **Inouye**. Did he say anything that would have led you to believe these documents would have injured the President?

Mr. **Owen**. No, sir, nothing whatsoever.

Chairman **Inouye**. Mr. Owen, may I refer to exhibit RWO11. This is the document dated February 10. It is from you to Colonel North. This is on page 2, the second to the last paragraph.

> No doubt you know the DC-4 Foley got was used at one time to run drugs, and part of the crew had criminal records. Nice group of Boys choose. The company is also on that Mario has been involved with using in the past, only they had a quick name change. Incompetence reigns.

What made you believe Colonel North knew about this?

Mr. **Owen**. Sir, this was, to the best of my recollection, this was a flight that had been, a plane that had initially been used—and I can't remember the dates—but it ended up having engine trouble and went down on San Andreas Island, which is part of Colombia, and it was impounded at that time and the Colombians, to the best of my knowledge, ran a check on it and it came across at one time it may have been used or suspected of being used for running drugs.

The plane subsequently was released, went back to the United States, and then they used the same plane again, I think they just painted it for another air drop, and it was involved in another swat of embarrassing situation in Costa Rica?

Chairman INOUYE. Colonel North was aware of this?

Mr. OWEN. I just guessed that he probably was because of the flap that occurred in Costa Rica. Mr. Foley was someone who I think at that time had checks with a government agency and he was the one responsible for putting together this flight, at least that is what I was led to understand.

Chairman INOUYE. Who is Mr. Foley?

Mr. OWEN. My understanding is he is with a company called Summit Aviation in Delaware; and it was used occasionally by the government agency. So this——

Chairman INOUYE. The second sentence says, "nice group the boys choose." Who are the "boys"?

Mr. OWEN. CIA.

Chairman INOUYE. The companies also warn that Mario has been involved with—what company is that?

Mr. OWEN. I believe it may have been a company the plan was chartered from. Sir, I let me just add that to the best of my ability, I wrote this with the knowledge that I had. I may have been wrong, but I don't think so.

Chairman INOUYE. Mr. Owen, like my colleagues I wish to thank you for your appearances today. You have been extremely helpful.

Mr. OWEN. Sir, I don't mean to interrupt. Would it be possible to make a brief closing statement?

Chairman INOUYE. Yes, you may, but I just have one more question I want to ask.

Throughout these hours you have referred to patriots and patriotism and heros. Somehow I guess the suggestion that if you are against the President's policy in Central America you are less than patriotic; is that the correct assumption to make?

Mr. OWEN. No, sir. I haven't meant to convey that assumption whatsoever. I believe that there is always in a democracy a need for difference of opinion.

It is my belief that the people who are willing to put their lives on the line, we are patriotic. That does not mean to say those who are against the President's policy are any less patriotic.

Chairman INOUYE. So those of us who may argue for and vote for measures that you may disagree with may still be patriots?

Mr. OWEN. Sir, you are a great American. And I fully believe that.

Chairman INOUYE. I just wanted the record to be clear, because somehow I felt like something less than a patriot all day long.

Mr. OWEN. I would never even begin to suggest that. You have given a tremendous amount to this country and I would never take that away from you.

Chairman INOUYE. Well, I would like to thank you, but may I advise you that the committee may wish to resume your testimony at a later date and accordingly I wish to remind you that you remain under subpoena?

Mr. OWEN. Yes, sir.

Chairman INOUYE. I thank you very much.

The committee will stand in recess for 10 minutes.

Mr. OWEN. May I make a brief closing statement and I will as before I read it. It is a poem that was written.

Chairman INOUYE. Please proceed.

Mr. OWEN. Thank you, sir.

Today on the fertile plains of Central America, cattle graze peacefully on the wooded hills and green valleys, monkeys play, parrots fly by, and song birds send forth their music that echoes over a trouble land.

In this far corner of the Third World, we have known darkness and despair that at times seems almost too much to bear. We have stood by the charred remains of our fallen airmen with head bound and eyes wet with tears and known the hardships and sorrow that must now be borne by their loved ones. We have held the hands of our gallant fighters and prayed with them and for them as their life's blood seeps slowly into the dark, damp earth of the jungle.

We held in our arms children no more than four years of age shot while trying to flee Nicaragua to a safe haven.

We have a burning desire to strike back at those whose intent is to enslave us, to stem the red tied that threatens to overwhelm us.

We have known indifference, even betrayal from political and religious leaders of America. We face an enemy that in manpower outnumbers us more than 20 to 1 and more than a thousand to 1 in firepower.

Fear, anguish, and despair are with us daily. Yet, in our darkest hours, we have three things that help sustain us: Our faith in God Almighty, the love and support of our families, the knowledge that on this troubled earth there still walk men like Ollie North, men that have shown bravery in their youth, wisdom in their adulthood, and patriotism throughout their life.

Ollie, your enemies are more clever and treacherous than ours. Yet, you have given more than you had to give. Your future, your hopes, your dreams and those things you cherish have been put at great risk, including your family, by your efforts to help others in the fight for freedom.

We have some very little to give you in return, yet we want you to know that in our hearts and our prayers, you are with us daily. Not only in elegant churches, but at crude alters in the jungle, candles burn for you. Beside you and supporting you stands the greatest leader the free world has known for many decades.

In our lifetime, you have given us a legend. For the future, you are giving our children a chance to live as free individuals and for these things, we say think you, Ollie North.

And I can only add I love Ollie North like a brother and I believe when he comes before you, when he is allowed to tell the American people his side of the story, that he will do it honestly. I want to thank the committee for your patience and understanding with me and for the way you treated me.

It has been very fair and I hope that I have added something to the American public's knowledge of what went on.

Thank you, Mr. Chairman.

Chairman INOUYE. May I assure you, Mr. Owen, that Colonel North will be given every opportunity to tell his story to the American people.

Mr. OWEN. Thank you, sir.

Chairman **Inouye**. The committee originally intended to have before us Mr. Adolfo Calero. I notice that the time is quite late and so I wish to announce that we will recess, reconvene at 10:00 in the morning, and at that time, our first witness will be Mr. Adolfo Calero.

[Whereupon, at 4:35 p.m., the committees adjourned, to reconvene at 10:00 a.m., Wednesday, May 20, 1987.]

APPENDIX

EXHIBIT 28B

WAIVER AND TERMINATION OF PARTNERSHIP

THIS AGREEMENT is executed this _____ day of November, 1986 by and between DON MAROSTICA, LARRY ROYER and RICHARD SECORD.

WHEREAS, the parties have previously discussed the formation of a general partnership known as TRI-AMERICAN ARMS, but did not execute a written partnership agreement or reach any final oral agreement regarding such a partnership; and

WHEREAS, Messrs. Secord and Royer advanced the sum of One Hundred and Fifty Thousand Dollars ($150,000.00) as an initial contribution to the capital of said proposed partnership and placed the funds in a partnership bank account at the Commercial Bank of Sterling in Sterling, Colorado, which account was controlled by Marostica; and

WHEREAS, the parties now wish to terminate the partnership, to the extent that a partnership exists, and to waive any claims which they may have against each other arising from the affairs of the proposed partnership;

IT IS THEREFORE AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. Termination of Partnership. The partnership known as TRI-AMERICAN ARMS, to the exten that it now exists at law, is hereby terminated and any agreement which the parties may have reached for the formation of such a partnership is hereby rescinded and terminated as of this date.

2. Waiver of Claims by Royer and Secord. Royer and Secord hereby waive any and all claims which they may have against Marostica on their bahalf or on the behalf of any

others on who's behalf they may have been acting in a fiduciary capacity such as but not limited to agent, employee, partner, etc., arising from the business affairs of the proposed partnership, including, without limitation, the claims which Secord and Royer may have against Marostica for distributions which he made to a firm known as Ceretech, in the the amount of Fifty Thousand Dollars ($50,000.00); provided, that the right to reclaim said funds from Ceretech shall remain solely with Royer and Secord.

3. Waiver of Claims by Marostica. Marostica hereby waives any and all claims which he may have against Royer and Secord arising from the business affairs of the proposed partnership. Marostica further waives any interest he may have in and to any of the assets of the proposed partnership, including, without limitation, the following:

a. Any interest which the proposed partnership may have in rights to purchase certain timber lands located on the Quinault Indian Reservation in the State of Washington, including any claim by Marostica for a finder's fee, commission or other compensation arising from the purchase of such land by Royer or Secord or their assignee; and

b. Any rights arising under the relationship between Tri-American Arms and American Arms, Inc., including rights to receive repayment of loans made to American Arms, Inc., or other rights, including security interests in certain assets of American Arms, Inc., arising from a document entitled "Memorandum of Agreement Between American Arms, Inc., a Utah

Corporation, and Tri-American Arms, a Partnership" dated May 16, 1986; and

c. Any and all claims against Ceretech, Inc., a Washington Corporation for repayment of sums loaned by Tri-American Arms to Ceretech.

4. Remaining Assets. Parties hereby agree that any and all assets of Tri-American Arms not specifically listed in this Agreement shall hereafter be the sole and seperate property of Messrs. Secord and Royer with the exception of Three Thousand Dollars ($3,000.00) which said $3,000.00 shall be maintained by Marostica in a trust account to be used by him to defray expenses that may be required for legal fees and for appearances before any judicial or administrative bodies in but not limited to the State of Utah. Marostica hereby waives any and all other claims against such assets.

5. Indemnification. Each party hereby represents and warrants to the others that, except for the obligations discussed in this Agreement, no party has created any other partnership obligation, nor executed any contract or other document on behalf of the proposed partnership which would in any way bind the partnership or the partners to any commitment not contemplated by this Agreement. Each party hereby agrees to indemnify and hold the others harmless from any obligations which breach the covenants and warranties contained in this paragraph.

6. Tax Returns and Liabilities. The parties agree that Royer and Secord shall be responsible for preparing and

filing any tax return which may be required for the partnership and that any net profit or loss on such return shall be be reported to Royer and Secord and that Marostica shall have no tax impact as a result of this transaction.

7. Binding Affect. This Agreement shall be binding upon the individual parties, their heirs, successors and assigns.

EXECUTED on the date and year first written above.

Larry Royer

Richard Secord

Don Marostica

EXHIBIT 28C

Doc 2

CONFIDENTIAL

MEMO

File w/ RVS

TO: ALBERT HAKIM

RECEIVED AUG 1 1 1986

FROM: BILL ZUCKER

RE: OUR MEETING IN SEATTLE, WASHINGTON
2nd and 3rd OF JULY 1986

DATE: JULY 4, 1986

At your request, I came from Geneva on Jul[illegible] to Seattle, Washington to participate with you in a series of meetings pertaining to certain proposed investments to be made by STTGI.

We started our meetings on Wednesday morning with Messrs. Larry Royer, Doug Royer (his son), and Don Marostica and we first discussed the proposed investment in American Arms. To date, STTGI has founded Tri-American Arms with US$150,000, of which Don Marostica disbursed $60,000 to American Arms and/or one of its sub-contractors to pay for the manufacture of 2,000 "receivers" or one of the key elements of the principal products of American Arms.

It was then explained that these 2,000 receivers had been seized by the US Government and that it appeared that certain charges were about to be brought by the US Government against the Goffs, the principals and managers of American Arms.

Although Don Marostica exhibited certain UCC filing statements which allegedly have been filed to show the creditor's interest of Tri-American Arms, he could not come up with any satisfactory answers to certain questions which I raised. One was what could we do with these partially finished receivers even if we could sustain our creditor's interest. A second was did we have any contractual right to force American to sell us the remainder of the parts necessary to manufacture the completed product. A third was whether the financial position of American was sufficient to suggest that it had the means to remain in business.

It came out that American occupied a leased facility (on a month to month basis), had five employees whose function essentially was to assemble parts manufactured by various sub-contractors. We further discussed that even if we could obtain the right to purchase or manufacture the other parts necessary to complete the product, it would cost at least $300. per unit or a minimum $600,000 more, to obtain an inventory of 2,000 finished units. Lastly, it was indicated that these units did not qualify under the old law to be sold to individuals as collector's items but would be saleable only to governments or police forces at a price where the mark-up was considered by all, insufficient to justify the further investment of time and money required. Given all of the above, plus the fact that a marketing effort on behalf of a manufacturer possibly unable to remain in business did not appear to represent an attractive business opportunity, all present agreed that further investment should not be made and that, if possible, the $60,000 invested by Tri-American should [illegible]. The issue as to how that was to be done was left for a

(Exhibit 28)

As Richard Fincke had arranged for certain persons associated with the proposed timber venture to come to the hotel, we next turned to a consideration of this. It was suggested by Don Marostica and Larry Royer that:

a) This was an unusual opportunity because of a special relationship which they and their associates had with one Wayne Parris, Manager of the Federal Land Bank and with a Mr. Sung Nam Kim.
b) It could be accomplished with a minimal investment of $100,000 on which profits of millions could be realized.
c) That Parris was ready to sign an agreement on behalf of the Bank.

We then met Fincke, Ed Herrman, Sung Nam Kim, Sandy Erickson, the attorney for Fincke on Tri-American (it was not clear) and we commenced to ask questions to learn more about the transaction. In brief, we learned that the Bank foreclosed on the property on October 31, 1985 in a bankruptcy proceeding that was headline news in the local press. To this we raised the question as to why the local timber companies (Weyerhauser, Simpson, Potlatch and numerous others) who were undoubtedly aware that the bank had forclosed on the timber land in question had not deemed the land interesting enough to bid on the property. To this question, we never got an answer from the persons present and we have retained our own local counsel with contacts in two of the large timber companies to get this answer.

We also learned that Ed Herrman expected to be paid by Tri-American to "cruise" the first 10,000 acres and that this could cost up to $25,000. We learned that Sung Nam Kim, some years earlier, had a job with local Korean timber brokers, but that he had a checkered business career, and no particular credibility concerning the sale of the timber. We learned that although the Bank allegedly had agreed to pay an up front commission of $500,000 to Kim (as against our payment of $100,000 after which we could walk away, something so ridiculous that any one even inexperienced, would realize to was impossible), there was (and could not be) no such argeement. We learned that even if the Bank ultimately agreed to give us a contract, the venture would require working capital of approximately $500,000 to make the down payment of $100,000, make additional payment to the Bank to release its lien on a tract or tracts, as well as to get the project underway, all this assuming no collection delays with respect to the sale of the timber.

It soon became apparent that we had no confirmation of the Bank's estimate of the footage or quantities involved, no real agreement with the bank, and only uncertainty as to the destination of $500,000 commission which the Bank allegedly was going to finance. The commission allegedly was to be paid to Kim who, it was suggested, would pay it on to a third party. To my question of how was Kim going to pay his US Federal income tax on this large commission, as he is a resident of the USA, I got no answer and realized that the issue had not been even considered.

At the end of the day we met with Wayne Parris of the Bank and his attorney, Bert Weinrich. They made it clear that:

1) They were in negotiation with a Mr. Atkinson who had proposed an all cash deal.

5) That they would not even give us a "back-up" contract if the Atkinson offer fell through.
6) They would not give us a right of first refusal on the remaining 32,000 acres (the quantity of timber on which even the Bank did not know).
7) They felt there was an 85% chance that Atkinson would close on at least the first 10,000 acres.

In our discussions it came out that the Bank had been marketing this property since February of this year.

At your request, I located and contacted John Cherry, Partner in charge of the Management Consulting Division of Touche, Ross & Co. in Seattle who will write to me explaining what they could do for us in terms of further analysis of this transaction should we require it. His telephone number is 292 1800. At this time we have no real proposal to analyse. Also, as noted above, our counsel is seeking to obtain input from the major timber companies as to why they have not bought up this property.

The third business opportunity we studied was Ceretech International, the company apparently organized and certainly controlled by Fincke to which Don Marostica has advanced $50,000 of STTGI money.

Apart from the fact that in my opinion Don Marostica does not understand this business and that Fincke and those of his associates we met did not impress me as being of sufficient experience and caliber to manage this business, it is the only one of the proposed ventures we saw that appeared to me to have any element of merit. As I see it, the business is to utilize a process licensed by the Washington Research Foundation, an affiliate of the University of Washington, to upgrade the present use of the wheat residue of ethanol plants now used as cattle feed to a human food supplement with a correspondingly higher price. Whether commercial bankers will be willing to increase their "flour cost" by approximately 50% for the alleged advantages of CERELIFE remains to be seen. You were present when I was given the business plan of CERETECH INTERNATIONAL, only to have Richard Fincke take it back from me and leave me with only a few pages of it containing very general descriptive material and none of the financial information. You are also aware that the estimate of funds required kept changing and from figures as high as $300,000, we learned that they required considerably less.

The present state of this proposed venture, if I well understand it, is to get a pilot plant built so that they may produce enough material to give it a fair test in the market. They talk of being close to signing two license agreements, (each for $100,000) but it seems peculiar to me that a licensee would pay before he had representations and assurances concerning the operation of the plant to be licensed.

In our discussions concerning CERETECH, Don Marostica explained the business as selling the processing plants, licensing the process, and to guaranty the licensee regarding the sale of the product. I questioned the latter as it appeared to me that as the business of CERETECH succeeded, its outstanding guaranty commitments would continue to grow and if there were any problems at any time selling the product (CERELIFE) it would bankrupt the company. To my mind this should bother the present shareholders, future investors, and lenders and when confronted with this Marostica quickly revised his position.

agreed to reimburse the $50,000 advanced from the proceeds of CERETECH'S first license agreement.' I suggest that we get CERETECH to sign a promissory note plus some written agreement to this effort plus pledge the stock of Ceretech to secure its obligations. Then I suggest everyone prays that Ceretech can sell a license or otherwise raise funds to reimburse the $50,000. In any event there should be a fixed date for repayment, whether a license is sold or not.

The last business opportunity under consideration is BIO-FINE PHARMACEUTICALS. This company was organized on March 16, 1983 to engage in the federally licensed production of opium derivative pharmaceuticals, more particularly, the bulk manufacturing of opium alkaloids. Although more than three years have elapsed, they are still not yet in business.

For purposes of this memo I will assume that someone involved in BIO-FINE has good contacts in the DEA. Nevertheless, in a letter dated April 19, 1986, Kenneth A. Durrin, a consultant to Bio-Fine, and a former official in the DEA, confirmed that the DEA "has never previously approved an application to process opium and manufacture narcotics that was not already in the pharmaceutical business". According to Durrin, this did not rule out Bio-Fine but it had to demonstrate that it was a real company, its processing to manufacture, including extraction, etc.

Much is made of the involvement of Dr. Austin Smith. However, he appears to be a figurehead only. Vincent Gordacan seems to be the principal mover of the group and his expertise and experience is not disclosed.

If what has been represented is true, I do not understand why the "bridge financing" the Company requires cannot be found from local banks or through the contacts of Dr. Smith. If it is not true, then to what extent is it not true and in what respects.

I am obviously unable to comment upon the business potential as I do not understand it. However, I would think that Federal Government bureaucrats in the DEA would prefer to deal either with a large very reputable pharmaceutical company or if not, with a substantial, well-financed company with experienced management. From the materials presented so far this does not appear to be the case and my judgement is to leave this "opportunity" for others. Futhermore, I have the feeling that this business would require very close supervision and control which you are unable to provide and that without it, certain problems could arise for which you would not wish to be responsible.

As an additional comment Larry Royer indicated that Andy McCaffey of Archer Daniel Midland, the "Father" of alcohol, is disgusted with ADM and wants to join Bio-Fine. Yet I fail to see the relationship of his qualifications to the business of Bio-Fine. Royer's role, if any, is to sell machinery and he will promote anything (with some one else's money) to further that end.

My last comment is that on leaving Seattle on July 4, I rode to the airport with a gentleman from Colorado who attended one of our Ceretech meetings. He apparently was involved in ethanol plants, knew Don Marostica, who in turn brought in Fincke, etc. This gentleman told me of other things he was doing, one of which was raising money for a "new" oil and gas company being put together by John King. I know John King served time in prison as a consequence. When I told this guy to give my regards to John King (who by the way hates my guts because I helped bring down King Resources, the Colorado Corporation) he said he would and he would send me materials so I could "get on the bandwagon" and invest in this wonderful new venture. I told him not to bother.

Move quickly to recuperate the $15,000 remaining in the hands of Don Marostica, also the $25,000 held by Sandy Erickson toward the $100,000 timber earnest money. Then get a note from Ceretech for $50,000 and press to get back the last $60,000 from American Arms. I wish you luck.

① AMERICAN ARMS Project-

2 PhASES

PhASE 1 - 4000 ARMS Before Govt DeadLine

PhASE2 - Relocation of Plant. -

# PhASE ONE CAN't Complete Unless phase 2 happens ~~[illegible]~~

These Guns will Be Special Ltd Additions: (Trophy Guns)

Selling Price per Unit-	$1800 X 4000 =	$7.200.000
Cost per Unit	$250 X 4000	$1,000.000
Margin -		$6,200.000
PAY BACK (Money USA)		$200.000
		6,000,000
30% To American Arms		1,800.000

Don, Richard, Larry

4.200,000

② Assignments -

Don - Hold American Arms in line and Negotiate phase I + II

Dick - Capital

Larry - Get the extra 2000 Receivers made - before the deadline -

---

Objectives of Phase II

A) Our group gets World Wide Marketing Rights -

B) Stock in American Arms' Obtained thru Relocation Deal.

C) Laser Built off Shore -

D) We Control all Marketing: Lic Plants:

③ Projection of SAles 1st yeAR-

* No Domestic SAles projected

1000-1500 - Saudi & Gulf States

4000 Contra

25% Commission based on $1000

per Unit. $1,375,000

* This is [redacted] the efforts

of StanforD Tech.

Questions:

offshore Corp - TAX Advantage.

new Market Company.

Don - Larry - Rich. - Albert.

What other items can we effectively

Market?

([redacted]) John Deere Eg. Complete Plants.

Attack Phillipines

EXHIBIT 28D

EXHIBIT
28D

10/28/86

STANTECH VINA
0930 ESTSTANTECH VINA
4931039TCIUI

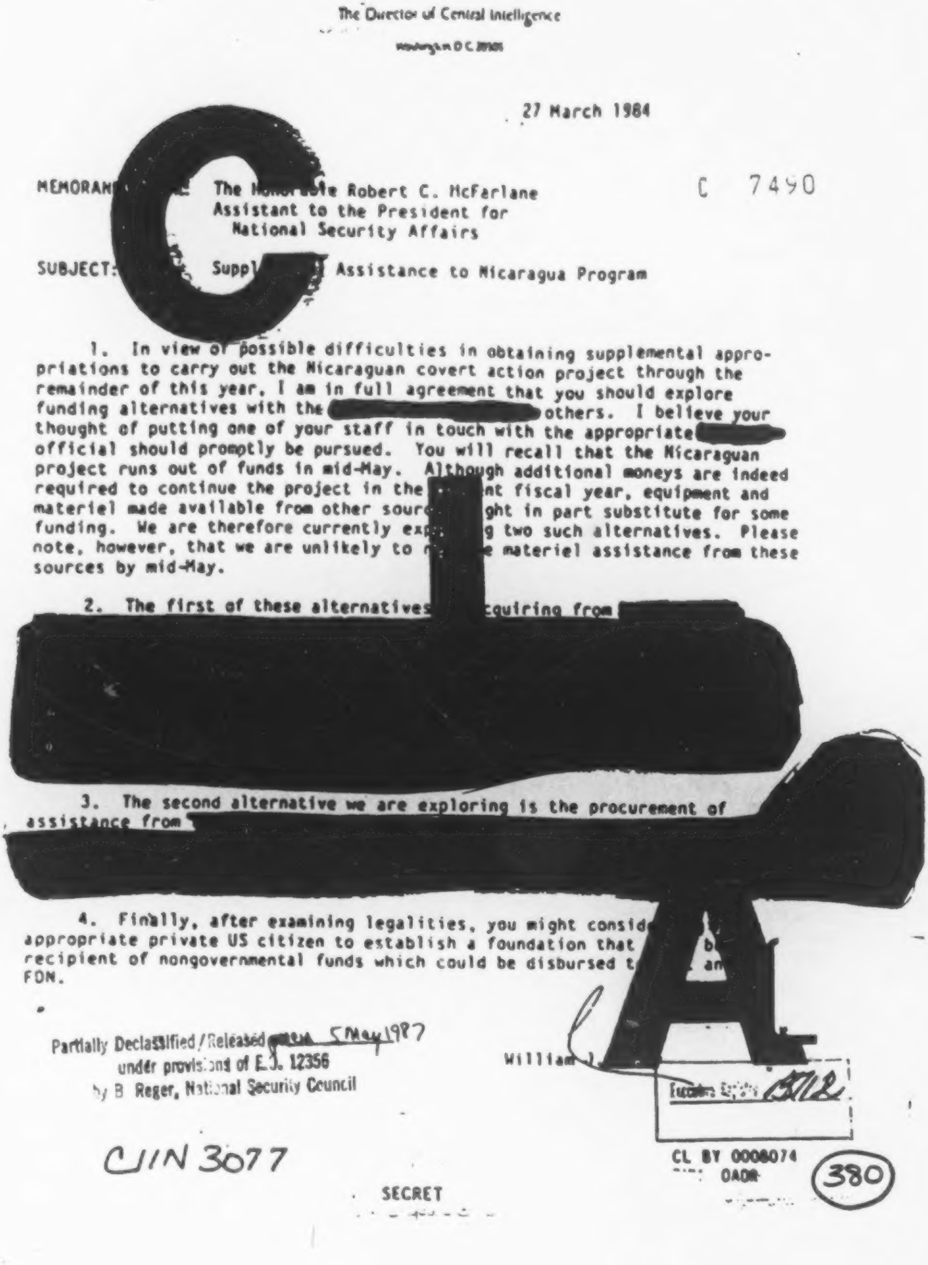
--FOR LARRY ROYER/R. SECORD
RE: AMERICAN ARMS REORGANIZATION

1. AMERICAN ARMS (PARENT CO.) WITH FOUR SUBS. (1 OF 4 OPERATIONAL WITH MANUFACTURING RIGHTS PLUS PATENTS) NOW NEAR BANKRUPTCY WITH SALARIES/TAXES DUE PLUS SOME MACHINERY REPOSSESSED.
2. PROBLEMS DUE TO IMPROPER CAPITAL STRUCTURE SINCE BEGINNING (NOT ENOUGHT CASH WHEN STARTED) PLUS SOME INCORRECT PLANNING DECISIONS.
3. PARENT CORP. PUBLIC WITH GOFF FAMILY OWNING 51-0/0 OF SHARES AND-49-0/0 OF REMAINING SHARES OWNED BY 400 SHAREHOLDERS.
4. IF SALES OF 1300 UNITS PER MONTH MINIMUM CAN BE ACHIEVED THEN AN INVESTMENT OF DLRS 1.5 MILLION CAN BE ACHIEVED IN LESS THAN 2-YEARS.
5. NEW STRUCTURE SHOULD INCLUDE DLRS .5 MILLION USED TO PURCHASE MANUFACTURING RIGHTS AND PATENTS FROM SUBSIDIARY COMPANY PAYING FUNDS TO PARENT CO. ALLOWING FOR ENTIRE CLEANUP OF SENSITIVE OBLIGATIONS DUE (I.E. TAXES AND DEBT). DLRS 1.0 MILLION IS NEEDED TO FORM THE NEW CORP. THAT WILL HAVE THE CABABILITY TO PRODUCE UP TO 7000 UNITS PER MONTH.
6. AT 2500 UNITS PER MONTH IN SALES THE OVERVIEW OF THE FINANCIALS ARE AS FOLLOWS: SALES DLRS 45 MILLION; EXPENSES DLRS 23 MILLION; PROFITS DLRS 22 MILLION. THE VENTURE IS AN EXCEEDINGLY PROFITABLE ONE.
7. THE GOFF FAMILY WOULD SELL WITH SOME ROYALTY PLUS CREATIVE STOCK OPTION BASED ON PERFORMANCE. THE OPERATION NEEDS TO HAVE A MANAGEMENT OVERSEER TO PREVENT PAST PROBLEMS.
8. TO REACH ME USE TELEX 4931039; ANSWERBACK TCI UI.

REGARDS,
FRANK LUCERO/TEC CHEMICAL

REPLY VIA ITT 4931039
...,
STANTECH VINA.....
REPLY VIA ITT

EXHIBIT 29



The Director of Central Intelligence

Washington, D.C. 20505

27 March 1984

MEMORAN[redacted] The [redacted]e Robert C. McFarlane
Assistant to the President for
National Security Affairs

C 7490

SUBJECT: Suppl[redacted] Assistance to Nicaragua Program

1. In view of possible difficulties in obtaining supplemental appropriations to carry out the Nicaraguan covert action project through the remainder of this year, I am in full agreement that you should explore funding alternatives with the [redacted] others. I believe your thought of putting one of your staff in touch with the appropriate [redacted] official should promptly be pursued. You will recall that the Nicaraguan project runs out of funds in mid-May. Although additional moneys are indeed required to continue the project in the [redacted]nt fiscal year, equipment and materiel made available from other sourc[redacted]ght in part substitute for some funding. We are therefore currently exp[redacted]g two such alternatives. Please note, however, that we are unlikely to [redacted]e materiel assistance from these sources by mid-May.

2. The first of these alternatives [redacted]quiring from [redacted]

3. The second alternative we are exploring is the procurement of assistance from [redacted]

4. Finally, after examining legalities, you might conside[redacted] appropriate private US citizen to establish a foundation that [redacted] b[redacted] recipient of nongovernmental funds which could be disbursed t[redacted] an[redacted] FDN.

William J. [redacted]

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

Executive Registry [illegible]

CJIN 3077

CL BY 0008074
OADR

380

SECRET

UNCLASSIFIED

Ask DCI if he handed attached
to Mr. McFarlane on Tuesday,
27 March.

Yes – hold it close, no dist.

ER [redacted]

4/6/84

EYES ONLY

Attached for your EYES ONLY file. No distribution, per DCI. He said Mr. McFarlane will return his copy to us when he is finished with it.

[redacted] 5 April

Executive Registry
84-1635

A

NICARAGUA

Executive Registry 5710

CIIN 3076

EXHIBIT 30

THE WHITE HOUSE
WASHINGTON

UNCLASSIFIED

N 10575

SECRET

April 20, 1984

MEMORANDUM FOR HOWARD TEICHER

FROM: ROBERT C. McFARLANE

Howard, please draw upon the following points in your meeting with [redacted] (without others present).

Possible Meeting With [redacted]

-- It is possible that [redacted] may be contacted by Khassoghi before long. Khassoghi came to me a week ago after having talked to [redacted] toward the purpose of persuading [redacted] to meet with an [redacted] official.

-- According to Khassoghi, [redacted] while fearful, agreed if the meeting were entirely private.

-- There would be no preconditions, although [redacted] was motivated toward establishing some confidence-building measures over time. These too, would be based upon tacit performance by both sides and without formal agreement.

-- I stated that I agreed with the purpose of such contacts and with the view that any meetings would need to be private.

-- Finally, I expressed willingness to arrange such a meeting (although Khassoghi is in a position to do that himself). In short, [redacted] seemed to be wanting US endorsement of the project rather than any specific US role. That's OK with us too.

(Note: Khassoghi's interest was brought to my attention by Geoff who had been contacted by Khassoghi. As of now, we have not been asked to do anything. Your mention of it to [redacted] would only be for informational purposes and good faith in keeping them informed).

Help With the Contras

-- As we discussed, please reaffirm to [redacted] (as he has already heard from [redacted] that:

SECRET
Declassify on: OADR
5/7/87

UNCLASSIFIED

#164

RCM-7
12/30

1) We will not press them on the question of assistance to the contras.

2) It is an important matter to us and we face a temporary shortfall in goods.

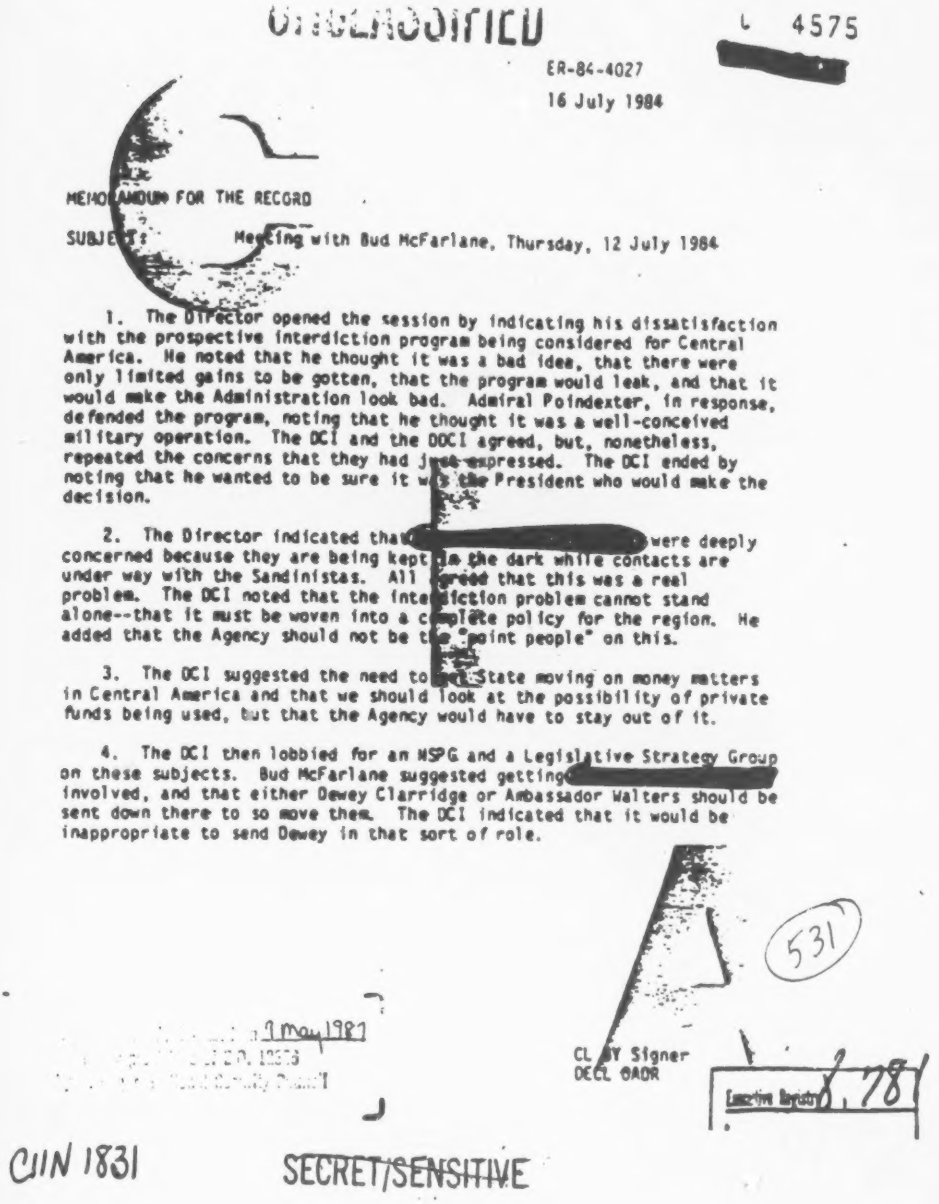
3) We are, of course, very conscious of the vulnerability it would create for the GOI.

4) If they should decide that they can help, it ought to be done bilaterally although we would be pleased to provide a point of contact [redacted].

5) Please also let it be known that, in your view, I am a little disappointed in the outcome but we will not raise it further.

Destroy this memo.

EXHIBIT 30A



UNCLASSIFIED

L 4575

[redacted]

ER-84-4027

16 July 1984

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Bud McFarlane, Thursday, 12 July 1984

1. The Director opened the session by indicating his dissatisfaction with the prospective interdiction program being considered for Central America. He noted that he thought it was a bad idea, that there were only limited gains to be gotten, that the program would leak, and that it would make the Administration look bad. Admiral Poindexter, in response, defended the program, noting that he thought it was a well-conceived military operation. The DCI and the DDCI agreed, but, nonetheless, repeated the concerns that they had just expressed. The DCI ended by noting that he wanted to be sure it was the President who would make the decision.

2. The Director indicated that [redacted] were deeply concerned because they are being kept in the dark while contacts are under way with the Sandinistas. All agreed that this was a real problem. The DCI noted that the interdiction problem cannot stand alone--that it must be woven into a complete policy for the region. He added that the Agency should not be the "point people" on this.

3. The DCI suggested the need to get State moving on money matters in Central America and that we should look at the possibility of private funds being used, but that the Agency would have to stay out of it.

4. The DCI then lobbied for an NSPG and a Legislative Strategy Group on these subjects. Bud McFarlane suggested getting [redacted] involved, and that either Dewey Clarridge or Ambassador Walters should be sent down there to so move them. The DCI indicated that it would be inappropriate to send Dewey in that sort of role.

531

[illegible] 9 May 1987
[illegible] E.O. 12356
[illegible] National Security Council

CL BY Signer
DECL OADR

Executive Registry 8, 781

CIIN 1831

SECRET/~~SENSITIVE~~

Exhibit 30B

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

TOP SECRET/CODEWORD

September 2, 1984

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER NORTH

SUBJECT: FDN Air Attack of 1 September (U)

Shortly after noon on 1 September, three FDN Cessna O-2 (push-pull) aircraft, launched from the FDN Resistance Base [redacted] attacked the Sandinista Military School at Santa Clara, Nicaragua with 2.75in. rockets (see map at Tab-A). Accompanying the strike aircraft, for command and control, was a Hughes 500-D helicopter [redacted] Aboard the helicopter was a U.S. private citizen who apparently was killed when the helicopter was downed by Sandinista small arms/AA fire. We have no evidence that SA-7 missiles were fired at any aircraft. ~~(TS)~~

This operation was not sponsored/directed by or briefed to any of our CIA personnel [redacted] In discussions with Adolfo Calero both last night and this morning, it is evident that the Resistanc Forces launched the attack after being goaded by the non-official Americans on-scene at the FDN Headquarters [redacted] Calero, when he left [redacted] on Friday, 31 August left instructic that this operation should not be conducted until he had talked to us. At our meetings with Calero on 1 September, both Clarridg and North urged that the operation be postponed because the rockets necessary for the attack had to be saved for potential use against the next arms delivery. Calero agreed, and in discussions with him this morning, indicated that the attack was undertaken without his permission. He has further expressed concerns that the growing presence of "non-official assistants" will increase the likelihood of similar incidents. From a military perspective the loss of the only operating FDN helicopte on the Northern Front is a serious blow. The only remaining helicopter available to the Resistance Forces is located at a small private field [redacted] It may therefore be necessary to ask a private donor to donate a helicopter to the FDN for use in any upcoming operation against an arms delivery. We are knowledgable that FDN resources are not adequate to purchase a helciopter at this time. ~~(TS)~~

~~TOP SECRET~~
DECLASSIFY: OADR

~~TOP SECRET~~

53

Dec - Contra Military

[redacted] Calero has information from his sources on the ground that there were no civilians casualties and that other foreign Sandinista advisors (Monteneros [Argentine terrorists] and Chilinos) may also have been killed when rockets struck the instructors' barracks. This information is at variance with the Sandinista press reporting we have already seen (Tab C). ~~(TS)~~

This afternoon the FDN will announce from [redacted] the attack was indeed undertaken and that Cubans were killed. A summary of the FDN press statement is at Tab D. (S)

Given the President's trip this afternoon, there will undoubtedly be numerous questions by the media traveling with the party. We should have no official statement on the event, but a properly worded and used backgrounder could be helpful in emphasizing our need to re-involve the USG in the Resistance effort. Since our briefings to the SSCI and the HPSCI, we have emphasized to members of Congress that the lack of funding creates a situation in which the USG has very little, if any, control over the FDN. A carefully worded press backgrounder could help reap some small benefit from this unfortunate event. Proposed press guidance is attached Tab I. (C)

RECOMMENDATIONS

1. That you brief the President on this action using the points above.

   Approve ________ Disapprove ________

2. That you approve the use of the press statement and guidance at Tab I and pass to Bob Sims.

   Approve ________ Disapprove ________

3. That you approve my approaching a private donor for the provision of a replacement civilian helicopter for use on the Northern Front.

   Approve ________ Disapprove ________

~~Let's wait a week or two.~~ I don't think this is legal.

Attachments:

Tab I USG Press Guidance
Tab A Map
Tab B [redacted]
Tab C Sandinista Press Releases
Tab D FDN Press Statement (Summary)

TOP SECRET

~~TOP SECRET~~

7 May 1987

EXHIBIT 31

UNCLASSIFIED

November 7, 1984

TOP SECRET

EYES ONLY

ACTION

N 6914

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Clarifying Who Said What to Whom

ADM Poindexter indicates that the Director called you expressing concern that I had discussed with a Mr. Myers: Calero, [redacted] MIGs, dollars, etc. The following chronology may be helpful in clarifying the situation.

Monday, November 5 (p.m.). Calero called from Miami, using appropriate one-time-pad, expressing grave concern about delivery of HIND-D helicopters at El Bluff. He was very distressed that the Agency had not forewarned the FDN of the delivery and that by the time he learned of it from his own assets, it was too late to position forces in an effort to interdict/destroy the helicopters. It was obvious that Calero was well aware of the threat the MI-24's pose to his forces in the field. Calero indicated that he was undertaking plans to "take-out" the HINDs and asked that he be given all possible information on the location of the helicopters. I told him I would try to get the information to him.

Later this same evening, I called Bob Vickers (NIO for Latin America) and GEN Paul Gorman and asked them for all we had on the location of the HIND-D's.

Tuesday, November 6 (a.m.). [redacted]

Subsequent to this call, I called Calero, again using appropriate code, and advised that the HINDs had been moved [redacted] and could he provide any HUMINT assets on-scene. At this point Calero suggested that he come to Washington to meet with me for a few hours prior to departing on Wednesday (Nov 7) for Tegucigalpa. I agreed to meet Calero here in Washington later in the afternoon.

BtD 12

#159

TOP SECRET

EYES ONLY

Declassify: OADR

5/1/87 UNCLASSIFIED EYES ON

EYES ONLY UNCLASSIFIED

N 6915

Tuesday, November 6 (p.m.). [redacted] the new Central American Task Force (CATF) Chief (who has recently replaced [redacted]) called to provide additional information [redacted] During the course of his call, he indicated that [redacted] Calero was coming to Washington unexpectedly. I told [redacted] that Calero would be meeting with me and invited him to sit in. We discussed the matter and agreed that [redacted] would meet separately with Calero in view of the Agency's determination that Section 8066 of the CR forebade the Agency from providing any information or assistance to the FDN.

Calero and I met privately mid-afternoon. During the meeting, Calero advised me that he had undertaken a plan to "borrow" a [redacted] T-33, which would be used to strike the location where the HINDs were being assembled. He indicated that the T-33 would be painted with Sandinista Air Force markings and that the aircraft would probably have to land at [redacted] on its return leg. Calero asked for detailed information on the location of the HINDs and the Sandinista anti-air defenses. We also discussed longer-range planning for a Calero-Cruz coalition and the requirements for military cooperation with the MISURA in the seizure of Puerto Cabezas.

The meeting with Calero was terminated by the 5:00 p.m. CPPG and Calero returned to Miami on a 6:30 p.m. flight. After the CPPG, I again called [redacted] and asked for any further updates on the HINDs and new info on the MIG's. [redacted] indicated that he was unable to meet with Calero on this trip due to the short lead time in notice of his arrival, [redacted]

[redacted] then asked if I was aware of a tasking to the NIO for an assessment of the Resistance capabilities. I told him that I was and that this was a fall out of the CPPG. I noted concern that State was of the opinion that the Resistance had become largely ineffective since our funding had run out in May 1984. [redacted] shared my assessment that quite the opposite was true and that the Resistance obviously had considerable outside support. I asked [redacted] if he was aware of the source of the Resistance funding. He told me no, that CIA had been trying to determine this, but that it was obviously substantial. I told [redacted] that it was important that the SNIE reflect the fact that there was substantial outside support which had continued for some months and showed no signs of abating. [redacted] agreed that this was the case. I asked him if the dollar amounts could be quantified. [redacted] responded that they were spending at least $1 million per month. I told [redacted] that the SNIE should include this estimate.

UNCLASSIFIED EYES ON

UNCLASSIFIED

TOP SECRET EYES ONLY

N 6916

During this discussion, I apprised [redacted] of Calero's plan to "borrow" a [redacted] T-33 for an attack on the HINDs. [redacted] agreed with me that this was a high-risk operation, but that there did not seem to be any real alternative if the FDN were to survive. At the conclusion of our discussion, we briefly reviewed the prospects for a liberation government in which Cruz and Calero would share authority. [redacted] and I specifically agreed that our discussion would not be shared.

Wednesday, November 7. GEN Paul Gorman called at 1200 to relay new information on collection efforts for MIGs and the HIND aircraft.

At 1300 Calero called from Tegucigalpa again, using appropriate codes, and requested any available information on the HINDs and anti-air defenses [redacted]. He indicated that he had tasked one of his column leaders to insert a man into [redacted] to observe [redacted]. Calero advised that he would dispatch his pilot [redacted] to [redacted] as soon as he received intelligence on the HINDs.

At 1330 VADM Moreau confirmed [redacted] requests we had made and the modifications [redacted]

At 1345 [redacted] called to report additional Honduran airspace incursions by Sandinista helicopters in the vicinity of Cerro la mole (southwest of Tegucigalpa). I again noted the need for additional intelligence on the HINDs and that Calero was moving to implement the [redacted]/T-33 option.

Thursday, November 8. At 1445 ADM Moreau delivered [redacted]

At no time did I discuss with [redacted] financial arrangements for the FDN. At no time did I indicate that Calero was attempting to attack the MIGs. I specifically told [redacted] that Calero was attempting to collect information on the MIGs [redacted] and would pass this information to a CIA agent [redacted] if it was available.

Ch over

RECOMMENDATION

That you authorize me to continue as planned with Calero.

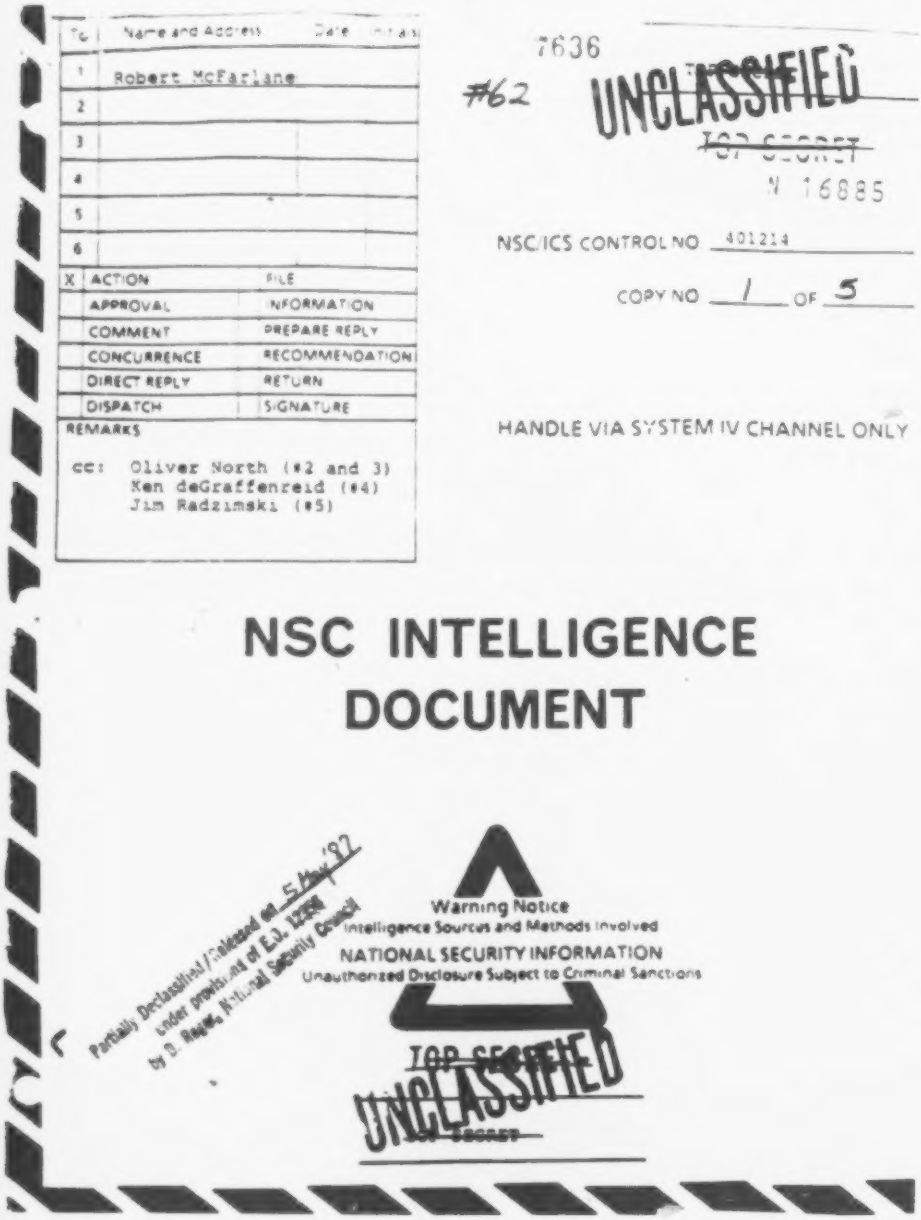
Approve _____ Disapprove _____

TOP SECRET EYES ONLY

UNCLASSIFIED

EYES ON

EXHIBIT 32



To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

X	ACTION	FILE
	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Ken deGraffenreid (#4)
Jim Radzimski (#5)

7636

#62

UNCLASSIFIED

~~TOP SECRET~~

N 16885

NSC/ICS CONTROL NO 401214

COPY NO 1 OF 5

HANDLE VIA SYSTEM IV CHANNEL ONLY

NSC INTELLIGENCE DOCUMENT

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

Partially Declassified/Released on 5 May '97
under provisions of E.O. 12958
by D. Regan, National Security Council

~~TOP SECRET~~

UNCLASSIFIED

~~TOP SECRET~~

System # IV
Package # 401214

UNCLASSIFIED

N 16836

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	1	PT	
Bob Kimmitt	2	K	
John Poindexter	3		
Tom Shull		/	
Wilma Hall	4		
Bud McFarlane	5	M	A
Bob Kimmitt			
NSC Secretariat Jim	7		R
Situation Room			

[redacted]

I = Information [✓ A = Action] R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other ______

COMMENTS Should be seen by: ______ (Date/Time)

UNCLASSIFIED

MEMORANDUM

UNCLASSIFIED

NATIONAL SECURITY COUNCIL

NSC/ICS-40[illegible]

Partially [illegible] 5 May '87 [illegible] 12356 [illegible] Council

December 4, 1984

~~SECRET~~

ACTION

N 16887

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Assistance for the Nicaraguan Resistance

In accord with prior understanding, I met on Wednesday, November 28, with , Defense Attache, Embassy of the Gaston Sigur arranged the luncheon meeting at the Cosmos Club and was present throughout.

As agreed, I explained to our purpose in the meeting was to clarify questions which had been raised in Canada regarding an arms transaction destined I explained that an intermediary had advised that apparently made a decision not to proceed with the Canadian-originated arms sale. This offer of purchase included 10 SA-7 missile launchers 30 missiles, 1 training unit, and 10 tracking units.

professed to be unaware of the Canadian transaction. I advised him that the purchase was not really intended for use by but rather for the Nicaraguan Resistance Forces. Further, the intermediary had indicated that the problem appeared to be the number military officers who are graduates of the As a consequence of the apparent reluctance to proceed with the sale showing end user certificate, the Canadian arms dealer is preparing to re-initiate discussions for a similar delivery was advised that the FDN would prefer to have the delivery as soon as possible, since the Soviet HIND-D helicopters were being assembled as we spoke.

was further advised that Adolfo Calero, the Head of the FDN, was willing to commit to a recognition once the Resistance Forces had succeeded. indicated that he understood the message and would confer with the [redacted] He observed, for the record, that refused to become involved, in any way, in the internal affairs of another country. I indicated that we fully appreciated this position and noted that it was too bad that the Soviets, Bulgarians, and East Germans involved in Nicaragua did not feel the same way.

~~TOP SECRET~~
Declassify: OADR

UNCLASSIFIED

Later that afternoon, MGEN Jack Singlaub (U.S. Army, Retired) visited to advise of two meetings he had held early in the day regarding support for the Resistance. Singlaub passed on the following points:

N 16888

Meeting with [redacted]

-- The FDN is in urgent need of anti-aircraft weapons and other crew-served weapons ammunition (particularly 60 and 81mm mortar rounds). Units in the field are also in need of large quantities of boots and clothing since the number of ralliers has exceeded expectations by 2,000.

-- The Resistance Forces are also in urgent need of expertise in maritime operations.

-- The USG is unaware of the Singlaub mission and he is making this request based on his long friendship [redacted] Because of the law restricting USG involvement, no USG official can solicit on behalf the Resistance Forces.

-- If [redacted] like to help, Singlaub can arrange a meeting with Adolfo Calero. If it is necessary for a USG official to verify Calero's bona fides, this can be arranged.

Meeting with [redacted] [redacted]

-- By agreement with Calero, Singlaub advised [redacted] since [redacted] had turned down the earlier FDN request for assistance [redacted] the Resistance movement had approached [redacted]

-- The Resistance still is in need of financial support, munitions, and training assistance.

-- [redacted] this was a "considerably different situation" than that which he had been aware of earlier. While not committing to support, he noted to Singlaub that this new information might make a difference [redacted]

[redacted]

~~TOP SECRET~~ UNCLASSIFIED

[redacted]

7

N 16889

This weekend, at the request of Sec. John Lehman, I met with Mr. David Walker, a former British SAS officer who now heads two companies (KMS and SALADIN) which provide professional security services to foreign governments. Walker had been approached several months ago, prior to initiating the current financial arrangement for the FDN. In addition to the security services provided by KMS, this offshore (Jersey Islands) company also has professional military "trainers" available. Walker suggested that he would be interested in establishing an arrangement with the FDN for certain special operations expertise aimed particularly at destroying HIND helicopters. Walker quite accurately points out that the helicopters are more easily destroyed on the ground than in the air. [redacted]

Unless otherwise directed, Walker will be introduced to Calero and efforts will be made to defray the cost of Walker's operations from other than Calero's limited assets.

[redacted]

[redacted]

~~TOP SECRET~~ UNCLASSIFIED

EXHIBIT 33

#70

7635

UNCLASSIFIED

MEMORANDUM

NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ICS-402003
Re-do

February 6, 1985

~~TOP SECRET~~

N 6917

ACTION

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Nicaraguan Arms Shipments

The Nicaraguan merchant ship, MONIMBO, is now in port at Taichung, Taiwan, where it is unloading cargo. It is estimated for departure on tomorrow, February 7, enroute to Shikama, Japan, for main engine repairs. [redacted]

At this point, there appear to be three options:

- The shipment could be seized and the weapons delivered to the FDN;
- the ship could be sunk; or
- the shipment and the [redacted] parties involved therein could be made public as a means of preventing the delivery.

~~TOP SECRET~~
Declassify: OADR

TOP SECRET

BLD, FBI
12-12

UNCLASSIFIED

There is no [redacted] apparent armed security detail aboard the MONIMBO, despite the sensitive nature of her cargo.

If asked, Calero would be willing to finance the operation. He does not, however, have sufficient numbers of trained maritime special operations personnel or a method of delivery for seizing the ship on the high seas. [redacted]

If such an operation were undertaken, it would be best to seize the vessel as it cleared the East China Sea enroute to Nicaragua's Pacific port at Corinto. Arrangements would have to be made for removal of the cargo for further transfer to the FDN, since it is unlikely that any of the other Central American states would allow MONIMBO to enter their harbors once she had been pirated.

If time does not permit a special operation to be launched, Calero can quickly be provided with the maritime assets required to sink the vessel before it can reach port at Corinto. He is in contact with maritime operations experts and purveyors of materiel necessary to conduct such an operation.

RECOMMENDATION

That you authorize Calero to be provided with the information on MONIMBO and approached on the matter of seizing or sinking the ship.

Approve ____ Disapprove ____

We need to take action to make sure ship does not arrive in Nicaragua.

ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

XX	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Jim Radzimski (#4)

~~TOP SECRET~~

N 6919

UNCLASSIFIED

NSC/ICS CONTROL NO. 402003

COPY NO. 1 OF 4

HANDLE VIA SYSTEM IV CHANNEL ONLY

NSC INTELLIGENCE DOCUMENT

Partial[illegible] 5 May 198[illegible]
[illegible]
[illegible] Council

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

TOP SECRET

UNCLASSIFIED

TOP SECRET

UNCLASSIFIED

National Security Council
The White House

System # ______
Package # ______

N 6920

	SEQUENCE TO	HAS SEEN	DISPOSIT
Paul Thompson			
Bob Kimmitt			
John Poindexter	1		
Tom Shull			
Wilma Hall			
Bud McFarlane	2	has seen	
Bob Kimmitt			
NSC Secretariat			
Situation Room			
JP	3		

I = Information A = Action R = Retain D = Dispatch N = No further A

cc: VP Meese Baker Deaver Other ______

COMMENTS

Should be seen by: ______
(Date/Time)

UNCLASSIFIED

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

Bud, 2/7

N 6921

~~E~~ Except for the prohibition of the intelligence community doing anything to assist the Freedom Fighters I would readily recommend I bring this up at CPPG at 2:00 today.

Of course we could discuss it from the standpoint of keeping the arms away from Nicaragua without any involvement of Calero and Freedom Fighters.

What do you think? JP

UNCLASSIFIED

EXHIBIT 34

1	Robert McFarlane	
2		
3		
4		
5		
6		
X	ACTION	FILE
	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Ken deGraffenreid (#4)

SECRET S E N S I T

N 701

UNCLASSIFIE

~~SECRET~~

NSC/ICS CONTROL NO 402002 Re-do

COPY NO 3 OF 4

HANDLE VIA SYSTEM IV CHANNEL ONL

NSC INTELLIGENCE DOCUMENT

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

#162

[illegible] on 5/2/87
[illegible] 12356
[illegible] Council

UNCLASSIFIED

~~SECRET~~

SECRET SENSITIVE

8K(1). C31
12-12-86
NS91

MEMORANDUM

UNCLASSIFIED
SECRET
NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ICS-402000
Re-do

February 6, 1985

SECRET

SENSITIVE

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

N 7013

FROM: OLIVER L. NORTH

SUBJECT: Cable to President Suazo of Honduras

Attached at Tab I is a memo from you to Secretaries Shultz and Weinberger, Director Casey, and General Vessey requesting their concurrence in a proposed backchannel cable to President Suazo from President Reagan (Tab A). The cable is intended to emphasize for President Suazo our support in the event of a Sandinista attack [redacted]

Since we originally reported on January 25, the HUMINT and indications of an attack, [redacted] Since January 29, the Sandinistas have been sporadically firing into Honduras with their artillery and rockets. GEN Paul Gorman delivered to the Pentagon on Monday, February 4, two 122mm rocket assemblies taken from their point of impact in Honduras. The intelligence at Tab II pertains. [redacted]

[redacted]

SECRET
Declassify: OADR

UNCLASSIFIED
SECRET

SENSITIVE

N 7014

UNCLASSIFIED

N 7015

At this point, two steps need to be urgently taken:

-- The FDN is in urgent need of near-term financing--approximately $2M--for the purchase of rifles, ammunition, and boots for the new volunteers.

-- The Hondurans need to be stiffened with assurances from the United States that we will meet our responsibilities under existing treaties. [redacted]

[redacted] Singlaub will be here to see me tomorrow. With your permission, I will ask him to approach [redacted] Embassy urging that they proceed with their offer. Singlaub would then put Calero in direct contact with each of these officers. No White House/NSC solicitation would be made. nor should [illegible] U.S. Gov [illegible]

RECOMMENDATIONS

1. That you sign and transmit the memo at Tab I.

Approve _____ Disapprove _____

2. That you authorize me to proceed as indicated with GEN Singlaub.

Approve _____ Disapprove _____

Attachments
Tab I - McFarlane Memo to Shultz/Weinberger/Casey/Vessey
Tab A - Proposed Backchannel Cable to Suazo
Tab II - Intelligence
Tab III - Photograph
Tab IV - Background Cables

THE WHITE HOUSE

WASHINGTON

February 7, 1985

UNCLASSIFIED

SENSITIVE

N 7016

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

GENERAL JOHN W. VESSEY, JR.
Chairman, Joint Chiefs of Staff

SUBJECT: Cable to President Suazo of Honduras (S)

There are continuing indications that the Sandinistas are planning a major attack against [redacted]

I understand that we have in our possession some evidence of the recent firing into Honduras. (S)

[redacted] At this time, no Honduran units have been put on alert or moved to the area and there are indications that the Honduran Government [redacted] (S)

It would appear that the Hondurans are reacting to the extraordinary buildup across their border in such a way as to minimize the attractiveness of [redacted] as a target. [redacted]

SECRET
Declassify: OADR

UNCLASSIFIED

SENSITIVE

It is possible that a message of assurance to President Suazo could have a stiffening effect on Honduran resolve in the face of the Sandinista offensive. The cable at Tab A is designed to serve such a purpose. Could I ask that you review this cable personally and provide comments/concurrence in its dispatch by COB Thursday, February 7, 1985. Separately, I am asking John Poindexter to convene a CPPG to consider contingent U.S. actions in support of Honduras in the event it becomes necessary. (S)

Robert C. McFarlane

2 pages withdrawn
N 7018 - N 7019
Denied in full
FOC 5/5/07

N 7020

4 pages withdrawn
N 7021 – N 7024
Denied in full
FOC 5/5/87

EXECUTIVE SECRETARIAT
BUREAU OF INTELLIGENCE AND RESEARCH

CURRENT REPORTS

UNCLASSIFIED

February 1, 1985

N 7025

1. NICARAGUA: GOVERNMENT PLANS ANTI-CONTRA DRIVE IN FEBRUARY

The government is planning a major sweep in February and March again the contras [redacted]

INR Comment: We have evidence of government resupply activity that indicates a drive is imminent. The government's abilities in comman and control, logistics, and effective use of intelligence have not improved markedly, however, despite an increase in troop strength an materiel. Recent skirmishes indicate the contras, with their improving tactical skills, will probably not be hard hit by this offensive (SECRET/NOFORN/NOCONTRACT/ORCON)

[redacted]

NONRELEVANT

3. NICARAGUA/HONDURAS: HONDURAN POST REPORTEDLY ATTACKED

Honduras charged January 31 that a Nicaraguan army unit entered Honduran territory near Palo Verde, Choluteca January 30 and attacked a Honduran army post, according to press and USDAO Tegucigalpa reporting. Honduran officials claimed that at least one Sandinista soldier was killed in the skirmish.

INR Comment: This foray is the third violation of Honduran territory to come to our attention recently. Most previous border violations have been [redacted] but this incident may be related to an increased Honduran army effort to interdict arms trafficking from Nicaragua into El Salvador. (CONFIDENTIAL)

[redacted]

NONRELEVANT

UNCLASSIFIE

UNCLASSIFIED

WHITE HOUSE

SECRET/NOFORN/NOCONTRACT/ORCON/EXDIS

Bureau of Intelligence and Research

Current Analysis Series N 7026

February 1, 1985

CENTRAL AMERICAN HIGHLIGHTS

Nicaragua-Contras: [redacted] the Nicaraguan government would initiate a major military action in February and March. [redacted]

[redacted]

NOT RELEVANT

N.P.

[redacted] Assistance to Pastora: [redacted] during his January 18-23 visit to [redacted] Sandino Revolutionary Forces (FRS) chief Eden Pastora raised some $3,000 and pledges for greater support from [redacted] military, private enterprise and civilian government representatives. [redacted] The funds Pastora collected allowed him to begin his international fund raising trip with first stops in Miami and Washington. [redacted]

[redacted]

UNCLASSIFIED

SECRET/NOFORN/NOCONTRACT/ORCON/EXDIS
(DECL: OADR)

5 pages withdrawn
N7027 - N7031
Denied in full
ZDC 5.5.87

N 7032

2 pages withdrawn
N 7033 -N 7034
Denied in full
FOC 5/5/87

N 7035

7 pages withdrawn
N7036 - N7042

Denied in Full
JDC 5/5/87

EXHIBIT 35

7623 #71 X

ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

XX	ACTION	FILE
	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
James Radzimski (#4)

~~UNCLASSIFIED~~

N 7182

NSC/ICS CONTROL NO 400215

COPY NO ______ OF ______

HANDLE VIA SYSTEM IV CHANNEL ONLY

NSC INTELLIGENCE DOCUMENT

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by [illegible] National Security Council

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

~~UNCLASSIFIED~~

BKD/FSI
12-[illegible]-86
NS 130

N 7183

National Security Council
The White House

UNCLASSIFIED

System # ______
Package # ______

1621

	SEQUENCE TO	HAS SEEN	DISPOSITI
Bob Pearson			
Bob Kimmitt	2	K	
John Poindexter			
Paul Thompson			
Wilma Hall	3		
Bud McFarlane	4	M	A
Bob Kimmitt			
NSC Secretariat			
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Act

cc: VP Meese Regan Deaver Other ______

COMMENTS Should be seen by: ______
(Date/Time)

Partially Declassified/Released on 5 May 1987 under provisions of E.O. 12356 by ... Reger, National Security Council

Briefing Pertinent (Don't reporting)

INACT

[redacted]

84

85

86

[redacted]

ESF PLO

$71m (c.e) $77m

Ø

INACT

Loan

$100m

190cr

[illegible] - 2 days

[illegible]

MEMORANDUM

UNCLASSIFIED ~~TOP SECRET~~

NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ICS-400215

N 7184

March 5, 1985

~~TOP SECRET~~

ACTION

[illegible] 5 May 1987 [illegible] Council

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Aid to the Nicaraguan Resistance

Attached at Tab I is a memo from you to Secretaries Shultz and Weinberger, Director Casey, and General Vessey asking for their views on increased U.S. assistance / Your memo is cast as suggestion which derives from trip to the region.

The real purpose of your memo is to find a way by which we can compensate the the extraordinary assistance they are providing to the Nicaraguan freedom fighters. At Tab II are end-user certificates which the provided for the purchase of nearly $8M worth of munitions to be delivered to the FDN. These nine documents are a direct consequence of the informal liaison we have established and your meeting with he and . The ammunition and weapons identified in these documents will be delivered in several shipments (2 by aircraft and 1 by sea) starting on or about March 10, 1985. All shipments will be delivered be receipted for [redacted] , and turned over to FDN representatives at. on arrival. Adolfo is convinced, and I agree, that have not removed or withheld any equipment/munitions from the FDN deliveries which have occurred to date.

During one of the meetings in which the process above was arranged, one of presented a "wish list" of items which they desperately need in order to prosecute their war against the Cuban-supported guerrillas. A copy of the list is attached at Tab III. Each of the items identified are in priority within four principal categories: Aircraft, Ground Forces Equipment, Weapons and Munitions, and Non-Tactical Military Equipment.

~~TOP SECRET~~
~~Declassify: OADR~~

~~TOP SECRET~~
UNCLASSIFIED

UNCLASSIFIED

~~TOP SECRET~~ 2 N 7185

Your memo at Tab I does not refer to the arrangements which have been made for supporting the resistance through [redacted] It does, however, urge that we take steps now to improve their situation. Once we have approval for at least some of what they have asked for, we can ensure that the right people in [redacted] understand that we are able to provide results from their cooperation on the resistance issue.

RECOMMENDATION

That you sign and transmit the memo at Tab I.

Approve ✓ Disapprove ____

Attachments
- Tab I - McFarlane Memo to Shultz/Weinberger/Casey/Vessey
- Tab II - [redacted] End-User Certificates
- Tab III - Military Equipment Requirements

~~TOP SECRET~~ UNCLASSIFIED

N 7186

UNCLASSIFIED

SYSTEM IV
NSC/ICS-400215

THE WHITE HOUSE
WASHINGTON

N 7187
SENSITIVE

~~SECRET~~

March 11, 1985

MEMORANDUM FOR THE HONORABLE GEORGE P. SHULTZ
The Secretary of State

THE HONORABLE CASPAR W. WEINBERGER
The Secretary of Defense

THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

GENERAL JOHN W. VESSEY, JR.
The Chairman, Joint Chiefs of Staff

SUBJECT: Assisting Progress toward Democracy (C)

During my brief stop in [redacted] made a convincing case for their commitment to democracy. They also noted their critical need for relatively small amounts of security assistance, economic aid, and support for their struggling agricultural sector. (C)

In recent weeks, there appears to have been an increase in guerrilla attacks and subversion. It is entirely likely that we will see more polarizing activity of this kind as the elections approach. Unless the Army has adequate support, certain elements may use the guerrilla action as a reason to defer elections or to justify counter-productive, repressive measures. Unfortunately, the Congress only provided in FY-85 IMET funds from the Administration's security assistance request. While the FY-86 request for [redacted] in security assistance provides hope for the future, it would seem that we need to look for ways in which we can help [redacted] between now and their elections. (S)

It is, therefore, requested that State take the lead in developing imaginative alternatives can be provided with assistance to improve their security situation. We should consider as well as activities by other U.S. agencies which could have a positive effect on internal security conditions.

Our goal in all of this should be to provide all possible assistance to progress toward democracy. (S)

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

Robert C. McFarlane

SENSITIVE

~~SECRET~~
~~Declassify: OADR~~

~~SECRET~~

N 7188

UNCLASSIFIED
N 7189

S/r.

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ MIL (10,000) rifles automáticos, los cuales serán destinados para uso exclusivo del Ejército de y no serán reexportados ni vendidos a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

N 7190

UNCLASSIFIED

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ MIL (10,000) libras de explosivo (HE) - C4 o TNT y UN MIL QUINIENTOS (1,500) detonadores variados, los cuales serán destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

UNCLASSIFIED N 7191

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

S.Sores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual será destinado para uso exclusivo del Ejército de y no será reexportado ni vendido a otro país, siendo el destino final:

A. 150 ametralladoras
B. 150 morteros de 60mm. -completos-.
C. 100 morteros de 81mm. -completos-.
D. 150 lanzagranadas M-79
E. -30 fusiles sin retroceso de 57mm.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

N 7192

CERTIFICACION DE DESTINO FINAL

( ), 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual será destinado para uso exclusivo del Ejército de y no será reexportado ni vendido a otro país, siendo el destino final:

A. 10,000 granadas M-79.
B. -3,000 granadas de 60mm.
C. -2,000 granadas de 81mm.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

UNCLASSIFIED

N 7193

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATINAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL del material que a continuación se detalla, el cual será destinado para uso exclusivo del Ejército de [redacted], y no será reexportado ni vendido a otro país, siendo [redacted] el destino final:

A. 3,000 granadas RPG-7.
B. --100 lanzagranadas RPG-7.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

UNCLASSIFIED N 7194

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DOS MIL (2,000) minas anti-personales y UN MIL (1,000) minas anti-tanque, las cuales serán destinadas para uso exclusivo del Ejército de y no serán reexportadas - ni vendidas a otro país, siendo el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

N 7195

CERTIFICACION DE DESTINO FINAL:

, 14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por TRES MIL (3,000) LAW ROCKETS, que vienen destinados para uso exclusivo del Ejército de y no serán reexportados ni vendidos a otro país, siendo el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

N 7196

CERTIFICACION DE DESTINO FINAL

14 de febrero de 1,985.

Señores:
ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por DIEZ (10) lanzacohetes tierra-aire y CINCUENTA (50) misiles tierra-aire, los cuales vienen destinados para uso exclusivo del Ejército de y no serán reexportados ni -- vendidos a otro país, siendo el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme atentamente.

UNCLASSIFIED

[redacted]

[illegible]

N 719

s/r.

CERTIFICACION DE DESTINO FINAL

[redacted] 14 de febrero de 1985.

Señores ENERGY RESOURCES INTERNATIONAL
440 Maple Ave. East
Viena, Va., 22180.

Señores:

Nos dirigimos a ustedes, para manifestarles que por este medio estamos extendiendo CERTIFICACION DE DESTINO FINAL por CINCO MILLONES (5.000,000) de cartuchos Ball Ammo, calibre 7.62mm., los cuales serán destinados para uso exclusivo del Ejército de [redacted] y no serán reexportados ni vendidos a otro país, siendo [redacted] el destino final.

Sin otro particular, aprovecho la oportunidad para suscribirme de ustedes atentamente.

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N 7198

[redacted] MILITARY EQUIPMENT REQUIREMENTS

N 7199

The following military equipment and services have been identified as the highest priority [redacted] Army in combatting the Communist guerrillas. They are listed in sequence of highest to lowest need within each category.

Aircraft:

- -- New or refurbished helicopters and spare parts for existing inventory.
- -- Spare parts for fixed wing cargo aircraft.
- -- New or refurbished ground attack aircraft and spare parts for existing inventory.
- -- New trainer aircraft and related spare parts.

Ground Forces Equipment:

- -- Communications equipment, including secure voice systems.
- -- Various vehicles for troop and logistical transport.
- -- Engineering equipment, including bulldozers, road-graders, and survey instruments.

Weapons and Munitions:

- -- Light and medium weapons, including M-16 rifles, M-60 machine guns, pistols (9mm and .45 caliber), 81mm and 60mm mortars, and 90mm recoilless rifles.
- -- Ground force munitions, including mortar, recoilless rifle, and artillery rounds, assorted mines and explosives, and 7.62 x 51 linked ammunition, plus hand grenades.
- -- Aerial munitions, including 200 and 500 pound bombs and 2.75 inch rockets with appropriate warhead mixes.

Additional Non-Tactical Supplies and Equipment:

- -- Field hospital equipment, general medical supplies, and training for paramedics.
- -- Tactical radars for use in detecting border infiltration.

5 May 1987

UNCLASSIFIED

EXHIBIT 36

1	Robert McFarlane 3	
2		
3		
4		
5		
6		

XX	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Jim Radzimski (#4)

JMP

Return to Ollie Direct

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EYES ONLY

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NSC ICS CONTROL NO 400246

COPY NO 1 OF 4

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NSC INTELLIGENCE DOCUMENT

#165

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

57
12/11/85
EC

[illegible] 5/7/87
[illegible] E.O. 12356
[illegible] Security Council

EYES ONLY

TOP SECRET SENSITIVE

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UNCLASSIFIED
NATIONAL SECURITY COUNCIL

NSC/ICS-4[illegible]

N 10618

March 16, 1985

TOP SECRET SENSITIVE

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Fallback Plan for the Nicaraguan Resistance

The plan attached at Tab I has been developed, pursuant to our discussion on Friday regarding fallback options. It is premised on the assumption of a major Congressional budget battle and an assessment that the Congress will not rescind the restrictions in Section 8066 of the FY-85 C.R. (Tab A). Should you determine in your meeting with Senators Durenburger and Lugar (Tuesday, March 19, 0730) that the Congress will not endorse a resumption of USG support to the resistance, the plan at Tab I provides a workable alternative.

Secrecy for the plan is paramount. We could not implement such an option if it became known in advance and it also mandates that present donors continue their relationship with the resistance beyond the current funding figure. The plan would require the President to make a major public pronouncement which, in turn, must be supported by other Administration officials, resistance leaders, and regional Heads of State once it has been announced.

RECOMMENDATION

That, if Durenburger and Lugar indicate an unwillingess to support resumption of USG aid to the resistance, you discuss the attached plan with Secretary Shultz following your meeting.

Approve _____ Disapprove _____

Attachments
Tab I - Fallback Option Plan
Tab A - Section 8066 of the FY-85 C.R.

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TOP SECRET UNCLASSIFIED SENSITIVE

N 10619

FALLBACK OPTION PLAN FOR THE NICARAGUAN RESISTANCE

Assumptions. The Congress is unwilling to support release of $14M in USG funds for the purpose of supporting, directly or indirectly, military or paramilitary operations in Nicaraguan. The FY-86 budget is seriously jeopardized by Congressional action and will require a major effort on the part of the President immediately after the MX vote through mid-July. There will be insufficient time or assets available to organize the kind of Administration-wide effort required to achieve an affirmative vote in both Houses on the Nicaraguan resistance program.

Section 8066 of the law (Tab A) expires on October 1, 1985. There are currently $28M requested in the FY-86 intelligence budget for the purpose of supporting paramilitary operations by the Nicaraguan resistance. The current funding relationship which exists between the resistance and its donors is sufficient to purchase arms and munitions between now and October--if additional monies are provided for non-military supplies (e.g., food, clothing, medical items, etc.). The current donors will have to be convinced of the need to continue their funding for munitions after October 1, 1985. A commitment for another $25-30M from the donors will be necessary for munitions in 1986 in anticipation that the $28M requested in the intelligence budget is not approved.

Concept. In lieu of forwarding the report to the Congress required by Section 8066 of PL 98-473, the President would announce on or about April 2 that the American people should contribute funds ("...send your check or money order to the Nicaraguan Freedom Fighters, Box 1776, Gettysburg, PA...") to support liberty and democracy in the Americas. He would note that the monies raised would be used to support the humanitarian needs of those struggling for freedom against Communist tyranny in Central America. By necessity, the speech must be dramatic and a surprise. It cannot be leaked in advance. No

Prior to the speech, the following steps must be taken:

-- Calero, Cruz, and Robelo (the principle leadership of the Nicaraguan armed and unarmed resistance) must be covertly advised of this plan and must assure of their support. Y

-- The Nicaraguan Freedom Fund, Inc., a 501(c)3 tax exempt corporation, must be established and obtain a Post Office Box 1776 in Gettysburg, Philadelphia, Valley Forge, or Yorktown. (This process is already underway.) Y

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-- Presidents Suazo, Monge, and Duarte (and the appropriate leadership of each of those countries) must be apprised of this plan 1-2 days in advance of the announcement. They must be prepared to fully support the President's proclamation. U.

-- The current donors must be apprised of the plan and agree to provide additional $25-30M to the resistance for the purchase of arms and munitions. ccl

-- Public groups and political action committees already mobilized for the Congressional campaign to relieve the 8066 constraints will have to be mobilized for the new approach (advertising, posters, ~~mailings,~~ phonecalls, etc.) several hours before the President speaks. reconsider

unlikely

-- Assuming a Presidential speech on or about April 2 at 8:00 p.m., a briefing for senior Administration officials should be held at 7:00 p.m. that day in Room 450 OEOB to ensure that public commentary after the speech by these official is supportive of this proclamation

Additional Requirements.

-- Informal contact several months ago with a lawyer sympathetic to our cause indicated that such a procedure would be within the limits of the law. Fred Fielding should be asked to do conduct a very private evaluation of the President's role in making such a request.

-- The name of one of several existing non-profit foundations, we have established in the course of the last year, will be changed to Nicaraguan Freedom Fund, Inc. Several reliable American citizens must be contacted to serve as its corporate leadership on its board of directors along with Cruz, Calero, and Robelo

-- Calero, Cruz, and Robelo will support support such an option if properly approached. They should then be photographed with the President on the day of his announcement and prepared to appear on U.S. and other media supporting the President's program.

-- You will have to make a quick (one day) trip to the region, preferably the day before announcement in order to brief Heads of State and regional leaders. For obvious reasons, this must be a very secret trip.

-- The President's speech must be prepared in total secrecy much the same as Ben Elliott worked on the Grenada announcements.

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UNCLASSIFIED N 10621

H. J. Res. 648

P.L. 98-473

Ninety-eighth Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-third day of January, one thousand nine hundred and eighty-four

Joint Resolution

Making continuing appropriations for the fiscal year 1985, and for other purposes.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

That the following sums are hereby appropriated, out of any money in the Treasury not otherwise appropriated, and out of applicable corporate or other revenues, receipts, and funds, for the several departments, agencies, corporations, and other organizational units of the Government for the fiscal year 1985, and for other purposes, namely:

SEC. 101. (a) Such sums as may be necessary for programs, projects, or activities provided for in the Agriculture, Rural Development and Related Agencies Appropriation Act, 1985 (H.R. 5743), to the extent and in the manner provided for in the conference report and joint explanatory statement of the Committee of Conference (House Report Numbered 98-1071), filed in the House of Representatives on September 25, 1984, as if such Act had been enacted into law.

(b) Such sums as may be necessary for programs, projects, or activities provided for in the District of Columbia Appropriation Act, 1985 (H.R. 5899), to the extent and in the manner provided for in the conference report and joint explanatory statement of the Committee of Conference (House Report Numbered 98-1088), filed in the House of Representatives on September 26, 1984, as if such Act had been enacted into law.

(c) Such amounts as may be necessary for programs, projects or activities provided for in the Department of the Interior and Related Agencies Appropriations Act, 1985, at a rate of operations and to the extent and in the manner provided as follows, to be effective as if it had been enacted into law as the regular appropriation Act:

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Army Reserve, Army National Guard or Air National Guard occupied by, or programed to be occupied by, persons in an active Guard or Reserve status: *Provided further*, That none of the funds appropriated by this Act may be used to include (civilian) military technicians in computing civilian personnel ceilings, including statutory or administratively imposed ceilings, on activities in support of the Army Reserve, Air Force Reserve, Army National Guard or Air National Guard.

Sec. 8064. (a) The provisions of section 138(c)(2) of title 10, United States Code, shall not apply with respect to fiscal year 1985 or with respect to the appropriation of funds for that year.

(b) During fiscal year 1985, the civilian personnel of the Department of Defense may not be managed on the basis of any end-strength, and the management of such personnel during that fiscal year shall not be subject to any constraint or limitation (known as an end-strength) on the number of such personnel who may be employed on the last day of such fiscal year.

(c) The fiscal year 1986 budget request for the Department of Defense as well as all justification material and other documentation supporting the fiscal year 1986 Department of Defense budget request shall be prepared and submitted to the Congress as if sections (a) and (b) of this provision were effective with regard to fiscal year 1986.

(TRANSFER OF FUNDS)

Sec. 8065. Appropriations or funds available to the Department of Defense during the current fiscal year may be transferred to appropriations provided in this Act for research, development, test, and evaluation to the extent necessary to meet increased pay costs authorized by or pursuant to law, to be merged with and to be available for the same purposes, and the same time period, as the appropriation to which transferred.

[redacted]

Sec. 8066. (a) During fiscal year 1985, no funds available to the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the United States involved in intelligence activities may be obligated or expended for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual.

(b) The prohibition concerning Nicaragua contained in subsection (a) shall cease to apply if, after February 28, 1985—

[redacted]

(1) the President submits to Congress a report—

(A) stating that the Government of Nicaragua is providing materiel or monetary support to anti-government forces engaged in military or paramilitary operations in El Salvador or other Central American countries;

(B) analyzing the military significance of such support;

(C) stating that the President has determined that assistance for military or paramilitary operations prohibited by subsection (a) is necessary;

(D) justifying the amount and type of such assistance and describing its objectives; and

(E) explaining the goals of United States policy for the Central American region and how the proposed assistance would further such goals, including the achievement of peace and security in Central America through a compre-

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hensive, verifiable and enforceable agreement based upon the Contadora Document of Objectives; and

(2) a joint resolution approving assistance for military or paramilitary operations in Nicaragua is enacted.

(c)(1) For the purpose of subsection (b)(2), "joint resolution" means only a joint resolution introduced after the date on which the report of the President under subsection (b)(1) is received by Congress, the matter after the resolving clause of which is as follows: "That the Congress approves the obligation and expenditure of funds available for fiscal year 1985 for supporting, directly or indirectly, military or paramilitary operations in Nicaragua.".

(2) The report described in subsection (b)(1) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

(3) A resolution described in paragraph (1) introduced in the House of Representatives shall be referred to the Committee on Appropriations of the House of Representatives. A resolution described in paragraph (1) introduced in the Senate shall be referred to the Committee on Appropriations of the Senate. Such a resolution may not be reported before the eighth day after its introduction.

(4) If the committee to which is referred a resolution described in paragraph (1) has not reported such resolution (or an identical resolution) at the end of fifteen calendar days after its introduction, such committee shall be discharged from further consideration of such resolution and such resolution shall be placed on the appropriate calendar of the House involved.

(5)(A) When the committee to which a resolution is referred has reported, or has been deemed to be discharged (under paragraph (4)) from further consideration of, a resolution described in paragraph (1), notwithstanding any rule or precedent of the Senate, including Rule 22, it is at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the resolution, and all points of order against the resolution (and against consideration of the resolution) are waived. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the resolution is agreed to, the resolution shall remain the unfinished business of the respective House until disposed of.

(B) Debate on the resolution, and on all debatable motions and appeals in connection therewith, shall be limited to not more than ten hours, which shall be divided equally between those favoring and those opposing the resolution. A motion further to limit debate is in order and not debatable. An amendment to, or a motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(C) Immediately following the conclusion of the debate on a resolution described in paragraph (1), and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the appropriate House, the vote on final passage of the resolution shall occur.

UNCLASSIFIED

N 10624

UNCLASSIFIED

(D) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a resolution described in paragraph (1) shall be decided without debate.

(6) If, before the passage by the Senate of a resolution of the Senate described in paragraph (1), the Senate receives from the House of Representatives a resolution described in paragraph (1), then the following procedures shall apply:

(A) The resolution of the House of Representatives shall not be referred to a committee.

(B) With respect to a resolution described in paragraph (1) of the Senate—

(i) the procedure in the Senate shall be the same as if no resolution had been received from the House; but

(ii) the vote on final passage shall be on the resolution of the House.

(C) Upon disposition of the resolution received from the House, it shall no longer be in order to consider the resolution originated in the Senate.

(7) If the Senate receives from the House of Representatives a resolution described in paragraph (1) after the Senate has disposed of a Senate originated resolution, the action of the Senate with regard to the disposition of the Senate originated resolution shall be deemed to be the action of the Senate with regard to the House originated resolution.

(8) This subsection is enacted by Congress—

(A) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a resolution described in paragraph (1), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(B) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

(d) During [illegible] year 1985 [illegible] by the resolution described in subsection (b)(2) for the purpose of supporting, directly or indirectly, military or paramilitary operations in Nicaragua, shall not exceed $14,000,000.

[illegible]

[illegible] of the products of Indian industry may be made in open market in the discretion of the Secretary of Defense: *Provided*, That the products must meet pre-set contract specifications.

Sec. 8068. None of the funds made available by this Act shall be used in any way for the leasing to non-Federal agencies in the United States aircraft or vehicles owned or operated by the Department of Defense when suitable aircraft or vehicles are commercially available in the private sector: *Provided*, That nothing in this section shall affect authorized and established procedures for the sale of surplus aircraft or vehicles: *Provided further*, That nothing in this section shall prohibit such leasing when specifically authorized in a subsequent Act of Congress.

Sec. 8069. None of the funds made available by this Act shall be used in any way, directly or indirectly, to influence congressional

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EXHIBIT 36A

UNCLASSIFIED

Executive Registry
85- 1277

22 March 1985

C 2201

ME[redacted]M FOR: TH[redacted]CORD

SU[redacted] Meeting with Assistant to the President for National Security Affairs, 21 March 1985

4. We then discussed the Contr[redacted]uation and what to do about funding. The Director expressed so[redacted]oncern, based on his conversation with Poindexter earlier in the day,[redacted] the Administration was going to be content to seek authorization fo[redacted]-lethal aid to the Contras, relying on third countries to suppl[redacted]her arms or funds for arms. I noted to McFarlane that while this [redacted]he expediency of getting dollars to the Contras quickly, I feared th[redacted] long term program would be in jeopardy. That by doing it in this[redacted]on Congress is virtually left off the hook as far as commitment to Central America goes. The opponents next year will attempt to ferret out these countries providing arms or dollars to the Contras and will then seek to cut off any aid or arms sales we have with these countries. Hence, we will not only lose support to the Contras but also our ability to help those third countries. Bud noted that was a good point and he felt that rather than have another meeting on this subject he would take the issue to the President and let him decide.

7

[illegible] Declassified on 7 May 1987
[illegible]
[illegible]

J[redacted]hon

529

Dist:
Orig - DDCI
1 - EA/DDCI file
1 - DDI
1 - DDO
1 - [redacted]
1 - [redacted]
1 - ER file

Executive Registry 25

DCI EXEC REG

1282

EXHIBIT 37

#61
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[redacted]

~~TOP SECRET~~

ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
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XX	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS

cc: Oliver North (#2 and ③)
Jim Radzimski (#4)

NSC/ICS CONTROL NO 402007

COPY NO 3 OF 4

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NSC INTELLIGENCE DOCUMENT

Partially Declassified/Released on 5 May 1987
under provisions of E.O. 12356
by [illegible], National Security Council

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

~~TOP SECRET~~

[redacted]

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MEMORANDUM

NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ISC-40[illegible]

N 10592

Partially Declassified/Released on 5 May 87
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by [redacted] National Security Council

April 11, 1985

~~SENSITIVE~~

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: FDN Military Operations

Attached at Tab A is a summary analysis of how the FDN has expended funds which have been made available since USG funding expired in May 1984. From July 1984 through February 1985, the FDN received $1M per month for a total of $8M. From February 22 to April 9, 1985, an additional $16.5M has been received for a grand total of $24.5M Of this, $17,145,594 has been expended for arms, munitions, combat operations, and support activities:

- most expenditures have been for purchases of arms, ammunition, and other ordnance items;
- the $2.5M indicated for upkeep of base camps on the borders includes costs of approximately $350K per month (an expense which will increase as the number of recruits continues to grow) and $50K for the operation conducted in Managua against the ammunition depot at the EPS military headquarters;
- the funding has allowed the growth of the resistance from 9,500 personnel in June 1984 to over 16,000 today--all with arms;
- when the May 1985 sealift arrives ($5M has already been deposited for this delivery), an additional 6,000 fighters can be equipped and fielded after a 3 week training period;
- the relocation of base camps along border has been ordered for mid to late April 1985 in order to disperse the target for a Sandinista attack (cost for this relocation have not yet been fully quantified);
- the acquisition of two small transport aircraft at the cost of $186K is prudent given the increased patrolling activity by the EPS along border, thus complicating trail-borne resupply for columns operating deep inside Nicaragua.

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Declassify: OADR

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UNCLASSIFIED N 10593

Summary of Operations to Date

The FDN has grown nearly twofold since the cut-off of USG funding. In this period, they have reoriented from conventional to guerrilla warfare tactics. Despite the lack of any internal staff organization (G-1, G-2, G-3, G-4) when the USG withdrew, the FDN has responded well to guidance on how to build a staff. Although there was a basic lack of familiarity with how to conduct guerrilla-type operations, since July, all FDN commanders have been schooled in these techniques and all new recruits are now initiated in guerrilla warfare tactics before being committed to combat. In short, the FDN has well used the funds provided and has become an effective guerrilla army in less than a year.

Future Operations

Plans call for remaining resources ($7,354,000) to be used as follows:

-- increasing the force to a total of 25,000 by mid-Summer;

-- a major special operations attack against Sandino airport with the purpose of destroying the MI-24 helicopters and the Sandinista Air Force maintenance capability;

-- a major ground operation against the mines complex in the vicinity of Siuna, Bonanza, and La Rosita (Nicaragua)--the purpose of the operation is to secure the principal lines of communication in and out of Puerto Cabezas; and

-- the opening of a southern front along the [redacted] border which will distract EPS units currently committed to the northern front.

It is apparent that the $7M remaining will be insufficient to allow the resistance to advance beyond these limited objectives, unless there is a commitment for additional funds. The $14M which the USG may be able to provide will help to defray base camp, training, and support expenses but will not significantly affect combat operations until early Autumn due to lead-time requirements.. Efforts should, therefore, be made to seek additional funds from the current donors ($15-20M) which will allow the force to grow to 30-35,000. If a commitment for these funds is made between now and June 1985, supplies could be ordered in July, allowing the force to reach these levels by the end of October 1985.

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RECOMMENDATION

That the current donors be approached to provide $15-20M additional between now and June 1, 1985.

Approve _____ Disapprove _____

Attachment
Tab A - Summary Analysis of FDN Expenditures

N 10595

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N 10596

As of April 9, 1985

FDN Expenditures and Outlays

July 1984 through February 1985

Quantity	Item	Cost
Independent Acquisition		
	G-3 rifles	[redacted]
	Magazines	[redacted]
	Rounds 7.62 x 51	[redacted]
	Rounds 7.62 x 51	[redacted]
	Hand grenades	[redacted]
Airlift #1 - February 1985		
	81mm grenades	$
	60mm grenades	
	50 cal API	
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
Freight, Demurrage, Ins., etc.		
Airlift #2 - March 1985		
750,000	Rounds 7.62 x 39	$ 210,000
1,000	RPG-7 grenades	265,000
8,910	Hand grenades	84,645
60	60mm mortars	96,000
1,472 Kgs	C-4	47,104
[redacted]	Fuses and detonators	
[redacted]	G-3 rifles	
[redacted]	G-3 magazines	
	Cleaning kits	
	60mm grenades	
	50 cal links	
Freight, Demurrage, Ins., etc.		
Sealift #1 - April Arrival		
	RPG-7 rockets	$
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
	Belts for 7.62 x 39	
	SA-7 launchers	
	SA-7 rockets	
	M-79 grenades	
Freight, Ins., and	other exp	
	M-79 grenades	

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under provisions of E.O. 12356
by [illegible] Reger, National Security Council

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N 10597

FDN Expenditures and Outlays
July 1984 through February 1985 (Cont'd...)

Quantity	Item	Cost
Sealift #2 - May Arrival		
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
	Rounds linked 7.62 x 51	
	Hand grenades	
	M-79 grenades	
	60mm grenades	
	81mm grenades	
	82mm grenades	
	RPG-7 rockets	
	Claymore mines	
	50 cal API	
	12.7 ammo	
	57mm recoilless rifles	
	57mm ammo	
	Anti-tank mines	
	G-3 rifles	
	G-3 cleaning kits	
	AK rifles	
	G-3 magazines	
	AK magazines	
	Swedish K magazines	
	HK-21 machine guns	
	RPG-7 launchers	
	M-79 launchers	
	9mm pistols	
	AK-39 links or belts	
[redacted]	C-4	
	Fuses and detonators	
Deposit paid		
Estimated cost		
Miscellaneous Expenses Since July 1984		
	Uniforms	
	Boots	
	Radio and comm equip	
	Air and ground transp	
	Military gear	
	Aid to southern front	
	Aid to Misuras	
	Food, family asst, upkeep of base camps, air force hospitals, etc.	
	Political activity - offices in various countries and cities, travel, p.r.	
	Acquisition two transp airplanes	

UNCLASSIFIED

Exhibit 37A

UNCLASSIFIED

Executive Registry
85- 2127

24 May 1985

C 2227

EXHIBIT
37A

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with the Assistant to the President for National Security Affairs, 23 May 1985

Partially Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

530

[redacted]

[illegible] 25858

1285

SECRET EYES ONLY

UNCLASSIFIED

C 2228

6. We then discussed the $14 million for the Contras and there seem to be more bills and proposals around than the Administration can handle. McFarlane wanted to know if we were plugged into the private efforts to raise the $14 million. The DCI indicated that we had heard something on that but had no details.

[redacted]

1 May 1987

A

Executive Registry 258

~~SECRET~~ EYES ONLY

1285

UNCLASSIFIED

2229

[illegible] declassified/released on 7 May 1987
under provisions of E.O. 12356
by [illegible] National Security Council

C

I

John N. McMahon

[redacted]

A

Executive Registry 2.5959/

SECRET EYES ONLY

EXHIBIT 38

ROUTING

To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

XX	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Jim Radzimski (#4)

UNCLASSIFIED
North
~~SECRET~~
SECRET
~~N 10581~~
EYES ONLY

NSC/ICS CONTROL NO 400564

COPY NO 3 OF 4

HANDLE VIA SYSTEM IV CHANNEL ONL

NSC INTELLIGENCE DOCUMENT

Warning Notice
Intelligence Sources and Methods Involved
NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

#166

tom's copy,
Ch own

[illegible] on 5/7/87
[illegible] 12356
[illegible] Sec[illegible] Council

UNCLASSIFIED
~~SECRET~~
~~UNCLASSIFIED~~
SECRET
EYES ONLY

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MEMORANDUM

UNCLASSIFIED

NATIONAL SECURITY COUNCIL

SYSTEM IV
NSC/ICS-400564

N 10582

May 31, 1985

SECRET

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: The Nicaraguan Resistance: Near-Term Outlook

Summary

During the month of May, the Nicaraguan Resistance recorded significant advances in their struggle against the Sandinistas. Despite the adversity caused by the [redacted] closure of [redacted] there are today more combatants actively in the field than at any time in the last 12 months. Militarily, there was heavy action throughout Nicaragua and on all three fronts: north, south, and Atlantic.

Politically, the resistance leadership has advanced to the point where they are prepared to form an umbrella alliance with clearly established democratic objectives and civilian control over the military forces. During meetings this week and last in Washington and San Jose, the Ladino leaders (Calero, Cruz, and Robelo) agreed to Indian/Creole representation at the leadership level and the Indians themselves took important steps toward unifying the MISURA (Steadman Fagoth) and MISURASATA (Brooklyn Rivera) factions. After nearly two months of careful coordination with Rivera, he agreed on Saturday to break-off his discussions with the Sandinistas and announced the end of the Indian/FSLN dialogue from Bogota.

Military Operations

For the first time in the war, the FDN succeeding in interdicting the Rama-Managua road, launched simultaneous operations in the Boaco area less than 60km from Managua and inflicted heavy losses on Sandinsita troops in the vicinity of Siuna-Bonanza. These operations were conducted in response to guidance that the resistance must cut Sandinista supply lines and reduce the effectiveness of the Sandinista forces on the northern frontier. A new operations base at [redacted] inside Nicaragua, is being established and the FDN have purchased a bulldozer for [redacted]

SECRET
Declassify: OADR

UNCLASSIFIED

The [redacted] requirement to move the FDN's strategic command from [redacted] has now been met. Operations have resumed, albiet at reduced levels, from their new command post location--7km north of [redacted] Between May 12 and 22, over 2,000 troops reinfiltrated into Nicaragua. Approximately, 4,000 remain at [redacted] awaiting additional quartermaster equipment. Approximately 150-200 volunteers a week continue to arrive at these locations. If all continues on schedule, a $6.3M arms shipment will arrive Monday, June 3 for immediate distribution to the units awaiting weapons. Calero intends to launch a major offensive on June 2, the day after their ceasefire/dialogue expires. He has also ordered an additional $6M worth of weapons (including [redacted] AK-47's and [redacted] Belgian FAL rifles) which will allow the force to grow to 30,000.

The Miskito/Creole forces operating in the vicinity of Bluefields launched an attack against an EPS post guarding the access to the naval port. Their attack was confounded by one of Eden Pastora's units operating without coordination in the same area. During the two day engagement, it is reported that 25-30 Creole conscripts rebelled against their Sandinista officers and were executed. There are also reports that during the battle Sandinista airstrikes caused casualties among their own troops and their Cuban advisors. Efforts are underway to confirm this information and have it made available to the media.

[redacted]

Political Situation

Two weeks of intense dialogue with the resistance leadership has resulted in the preparation of a document on national democratic objectives and reconstruction. Calero, Cruz, Robelo, and their respective political directorates have concurred in the document and will publicly promulgate the declaration at a news conference tentatively scheduled to be held in San Salvador on June 10. The document establishes civilian primacy over a unified military organization, commits the unified resistance to a democratic process, promises a plebecite to elect a new government, and confirms their intention to invite an international peacekeeping force to supervise the disarmament of the military forces in Nicaragua once democracy has been achieved. Their statement also calls for a new constitution and the reconstruction of the country once the provisional government is installed.

A similar effort has been underway with both MISURA and MISURASATA in an effort to unify their two forces. [redacted] Brooklyn Rivera broke off his three month effort to achieve some degree of autonomy from the FSLN. In a series of meetings with Rivera and his representatives and subsequent meetings with Steadman Fagoth and his directorate, it was agreed that the Moravian Church would sponsor a mediation between the two groups starting on June 2, 1985. The Indians and Creoles have also been told that they will have a representative to the provisional government and Calero, Cruz, and Robelo have agreed. The letter at Tab B was provided during meetings with the Indians on Thursday. Although it contains dated information, it may be useful for you to provide it to the President.

In short, the political and military situation for the resistance now appears better than at any point in the last 12 months. Plans are underway to transition from current arrangements to a consultative capacity by the CIA for all political matters and intelligence, once Congressional approval is granted on lifting Section 8066 restrictions. The only portion of current activity which will be sustained as it has since last June, will be the delivery of lethal supplies.

RECOMMENDATION

That you brief the President on the above.

Approve _____ Disapprove _____

Attachments
Tab A - Photograph [redacted]
Tab B - Steadman Fagoth Muller ltr to the President of May 11, 1985

2 pages withdrawn
N 10585 - N10586
Denied in full
FDC 5/6/87

[redacted]

UNCLASSIFIED

[redacted]

[redacted]

(sm caps, ch over)

MISURA
[illegible]
[illegible]
[illegible]

N 10587

May 11, 1985

Mr. Ronald Reagan,
President of the
United States of America
Washington, D.C.

Dear Mr. President:

On behalf of the Indian communities of the East Coast of Nicaragua, and in particular MISURA (United Miskito, Sumo, and Rama Nations), which is my honor to command, I would like to extend our appreciation for your continued interest in our struggle for liberty, and for the generous reference to us in your speech in Bonn, Germany. "I am the Miskito Indian of Nicaragua", was a most eloquent form of moral support of our sacrifice, expressing in positive terms our vital participation in the redeeming of our country which is today, subject to the wishes and decisions of Soviet Communism.

The Indian resistance to the communist regime of Nicaragua, has caused savage repression by the Sandinista Government, which from it's-inception has forced the exodus of our people, lead by Bishop Salvador Shaffer, to the Honduran Miskitia, the unqualified and indiscriminate massacre of our people; the disapropriation and destruction of our property, and of the confinement of innocent people in subhuman condition in camps, reminicent of Nazi concentration camps.

Of 256 communities existing before 1979 with populations of approximately 175,000, there remain only 117. The others were destroyed by the FSLN, their inhabitants forced from the Atlantic Coast of Nicaragua, forced to abandon their natural habitat. 22,000 to Honduran Miskitia and 15, 000 resettled by the Sandinista government, like prisoners into areas supervised by government troops to "avoid" annexation of the East Coast to the Freedom Fighters, as you so aptly refer to those of us who fight for liberty against the traitors of the Nicaraguan Revolution.

In spite of the need for economic resources it has not been difficult for MISURA to present a different perspective from that of the organization known as MISURASATA (sandinista unit of Miskito Sumo and Rama Nations, lead by Mr. Brooklyn Rivera, and directed by the sandinistas in order to have the Miskitos put aside their patriotic insurrection. Obviously MISRASATA and their traitorous campaign have full support of the Sandinista Government and of Democrat and liberal senators, unfortunately it is also backed by some suspect religious organization working in Nicaragua.

[illegible]
[illegible]
[illegible]

N 10588

-2-

In the face of this unfair situation MISURA is confronted by a dangerous despair, a lack of strength in the fighting which brings grave circumstances. Of 3800 combatants who have been trained military during 1982 and 1983, only 1800 are actually fighting in Nicaragua. The rest of that 3800 are to be found in refugee camps or in out native villages, barefoot and whithout equipment, awaiting orders.

The scarcity of economic resources has produced an alarming demoralization within our ranks. Demoralization when men see their brothers-in-arms die from the lack of antibiotics. Demoralization when men see their brothers-in-are die from lack of outboard motor needed to transport wounded and sick to a zone where they can receive medical attention. And finally, Mr. President, demoralization when a soldier must go into battle armed with only one magazine of bullets because of their scarcity. This demoralization is accentuated upon seeing our soldiers without clot ing with which to cover themselves.

Since economic aid was suspended 14 months ago, MISURA has been funded as follows; as of September 1984 our ally the FDN (Nicaraguan Democrat Front) has provided our organization with $6,000.00 monthly, increasing to 12,000.00 in January, 1985. In December 1984 during an intense money raising campaign held in Miami, Flor $20,000.00 and 683 pairs of boots were collected. In February $10,000.00 plus 6 out board motors were donated by the United States Council for World Freedom. These con titue all of the founds we have had at our disposal.

The economic needs plus the false campaign run by the sandinistas and Brook Rivera is putting visible pressure on many Miskitos to give up the struggle which wi only allow communism to develope leisurely on the Atlantic Coast of Nicaragua.

In the face of this dramatic situation, in order not to give up our vision of liberty and in light of your unnegligeable sympathy for our fight, representing MISURA, I have not hesitated in coming to you to ask for economic support, means of transportation, medicine, etc. In other words a specific budget proportional to our role in this historic, patriotic fight. As you have said, "Liberty gives results, b in order to succeed it is necessary to win it, so that it may serve as the foundatio and destiny of our peoply and develops naturally for the security of our continent.

Mr. President, we are confident of your strong democratic charected which w not allow you to abandon the fears fo my people, who want only to live with the peac that comes from justfce and liberty, as Franklin D. Roosevelt said: It is a strengt that withstands all attacks.

Sincerely,

Steadman Fagoth Muller
Military Leader of the Indian Movement "MISUR

UNCLASSIFIED

[illegible]
[illegible]
[illegible]

N 10589

-3-

We the undersigned adhere ourselves with solidarity to the above text.

Wicliff Diego,
Political Coordinator.

Merjilio Ramon,
Cheif of the SUMOS

Teofilo Archibal,
Creole Cheif.

Alejo Teofilo,
Member Boad.

SFM;df

UNCLASSIFIED

EXHIBIT 38A

EXHIBIT
38A

UNCLASSIFIED

System # ____
Package # ____
N 7417

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson			
Bob Kimmitt			
John Poindexter	1	J	
Tom Shull			
Wilma Hall			
Bud McFarlane	2	M	A
Bob Kimmitt			
NSC Secretariat			
Situation Room			
JP	3		

I = Information A = Action R = Retain D = Dispatch N = No further Actic

cc: VP Meese Baker Deaver Other ____

COMMENTS

Should be seen by: ____
(Date/Time)

597

Bud,

I have told Ollie to plan to go ahead with [illegible] Confirm when he calls me in the morning. Please call me after you have read this.

J

[redacted]

UNCLASSIFIED ~~TOP SECRET~~ SENSITIVE

EYES ONLY

N 7410

NSC/ICS CONTROL NO 400587

COPY NO. 1 OF 3

(1.)	Robert McFarlane	
2		
3		
4		
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6		

EYES ONLY

X	ACTION		FILE
	APPROVAL		INFORMATION
	COMMENT		PREPARE REPLY
	CONCURRENCE		RECOMMENDATION
	DIRECT REPLY		RETURN
	DISPATCH		SIGNATURE

REMARKS:

cc: Oliver North (#2 and 3)

HANDLE VIA SYSTEM IV CHANNEL ONLY

EYES ONLY

NSC INTELLIGENCE DOCUMENT

8 May 1987

Warning Notice

Intelligence Sources and Methods Involved

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

EYES ONLY

~~TOP SECRET~~ UNCLASSIFIED ~~TOP SECRET~~

MEMORANDUM

UNCLASSIFIED

NATIONAL SECURITY COUNCIL

NSC/ICS-400587

June 7, 1985

~~TOP SECRET~~

N 7419

ACTION

EYES ONLY

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Status of Hostage Recovery Efforts

The two independent hostage recovery activities briefed last Saturday have proceeded as follows:

[redacted]

~~TOP SECRET~~
~~Declassify: OADR~~

UNCLASSIFIED

Partially Declassified/Released on 8 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

~~TOP SECRET~~ EYES ONLY

2

N 7420

[redacted]

DEA operation. At the request of the two DEA officers who originated the contact in Lebanon, I met with their asset in Washington. Last week, their intermediary expressed concern with proceeding with the operation based on the instability inside Lebanon. In response to their urgings (the DEA officers were made aware of the possibility that the Dawa prisoners could be executed shortly after the end of Ramadan--June 19) and the death of one of his contacts inside Lebanon, he has now agreed to proceed as follows:

-- He will depart Saturday, June [redacted] and meet a [redacted] contact in Europe as well as a [redacted] who was the secondary contact inside Lebanon. He will urge [redacted] to return to Lebanon and arrange for a meeting on Cyprus among one DEA officer [redacted], himself, and [redacted]

-- Once contact has been established and a meeting arranged, the two DEA officers will depart for Cyprus via Vienna where they will deposit the $200K and establish an account for the $2M ($500K of which will be available immediately in U.S. dollars cash for use in Lebanon) [redacted] will then proceed to the meeting indicated above.

~~TOP SECRET~~

UNCLASSIFIED EYES ONLY

UNCLASSIFIED

TOP SECRET EYES ONLY

N 7421

-- The primary DEA contact [redacted] believes that the hostages can be bribed free for $1M a piece as follows:

- The $200K will be sufficient to bribe [redacted] This money will be passed [redacted]

- [redacted] will turn over the hostages to [redacted] who will transport them [redacted]

- Transport [redacted] will cost in excess of $250K apiece in order to bribe [redacted] believes that the $200K [redacted] will be sufficient to establish bona fides to [redacted] to agree to passage of at least 2 hostages. Once the operation is underway and the hostages are through [redacted] will be provided with $500K in cash.

- [redacted] will turn the hostages over to [redacted] where they will be placed aboard a rented yacht for transport to Cyprus.

- One of the DEA officers [redacted] will have proceeded to Cyprus to rent a safehouse as a temporary holding location in the event that all hostages are not recovered in the first attempt.

- The remaining $1.5M made available by the donor will be released from the account in Vienna as soon as the hostages are aboard the yacht and at sea [redacted] These funds will be used to pay the [redacted]

It is assumed that the price cannot be negotiated down given the number of people requiring bribes. Both the DEA and [redacted] believe that this effort will produce two hostages and that additional hostages will be released for $1M each. The safehouse will be used to harbor/treat the first two hostages while arrangements (both financial and operational) are being made for the remaining hostages. [redacted] believes that 72-96 hours would be required for a second round. This assumes that additional funding is available on a near real-time basis. The donor is aware that the price being asked is $1M each. He is unaware that we are proceeding with a plan to release only two if the price does not come down.

~~TOP SECRET~~ UN[illegible] EYES ONLY

N 7422

The DEA officers are prepared to take leave as soon as they are contacted by [redacted] Travel arrangements and operational costs are currently being financed from funds normally available to the Nicaraguan resistance. Our normal point-of-contact in the resistance for these matters is not yet aware.

Summary. As discussed with ADM Poindexter, it appears that both these plans can proceed simultaneously without undue concern for compromise or mutual jeopardy. Given that arrangements for the DEA operation will take considerable time (contacts inside Lebanon, financial transactions, and rental of yacht/safehouse), [redacted]

RECOMMENDATIONS

1. That you approve proceeding with the plans outlined above.

Approve RCM Disapprove ____

2. That you contact the Attorney General and ask that the two DEA officers [redacted] be placed on temporary detail to the NSC for a period of 30 days.

Approve RCM 4/9 Disapprove ____

[illegible] 4/10 w/AG

Attachments

[redacted]

~~TOP SECRET~~ UNCLASSIFIED EYES ONLY

UNCLASSIFIED

N 7423

TAB

A

N 7423 - N 7431
deleted in their entirety

EXHIBIT 39

From: NSJMP --CPUA Date and time 08/31/85 13:26:58
To: NSOLN --CPUA OLLIE NORTH

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
SUBJECT: PRIVATE BLANK CHECK
If you save this note in your files, I believe that you can always reply direct to me when you have sensitive info.

N 7487

VE 2
12/4/86
KG

5 May 1987

Exhibit 40

N 16346

THE WHITE HOUSE
WASHINGTON

IV

400246 ✓

✓ 40[illegible]2007 ✓

✓ 400453 ✓

✓ 400215 * cover ✓

✓ 401214 *

✓ 402003 — 19 Jan YEDIOT AHRONOT P. 7

EXHIBIT 40A

#565

[illegible]

Congress of the United States N 9646
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

August 16, 1985

The Honorable Robert C. McFarlane
Assistant to the President
for National Security Affairs
Executive Office of the President
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

I am writing in response to recent press reports detailing the activities of certain National Security Council staff members in providing advice and fundraising support to Nicaraguan rebel leaders.

These reports raise serious questions regarding the violation of the letter and the spirit of U.S. law prohibiting support for the Nicaraguan rebels. The Congress, in passing the Boland Amendment (Section 8066 of P.L. 98-473), prohibited "the Central Intelligence Agency, the Department of Defense, or any other agency or entity of the U.S. involved in intelligence activities" from supporting the rebels. It would be stretching the integrity of the law to suggest that this prohibition was not intended to cover the NSC. President Reagan, himself, in his executive order on the nation's intelligence agencies, describes the National Security Council as the highest government entity with responsibility for intelligence activities.

In addition, the Boland Amendment strictly prohibits assistance "for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations" of the Nicaraguan insurgents. Reports quote Administration officials describing Marine Lt. Col. Oliver North as providing "tactical influence" on rebel military operations, facilitating contacts for prospective financial donors, and otherwise organizing and coordinating rebel efforts. These activities clearly have "the effect of supporting" the Nicaraguan rebels.

Congressional intent in passing the Boland Amendment was to distance the United States from the Nicaraguan rebel movement, while the Congress and the nation debated the appropriateness of our involvement in Nicaragua. The press reports suggest that, despite congressional intent, during this period the U.S. provided direct support to the Nicaraguan rebels.

The Honorable Robert C. McFarlane
Page Two
August 16, 1985

In order to clarify the circumstances surrounding Lt. Col. North's activities, as chairman of the subcommittee with jurisdiction over United States policy toward Nicaragua, I request that you provide Congress with all information, including memoranda and any other documents, pertaining to any contact between Lt. Col. North and Nicaraguan rebels leaders as of enactment of the Boland Amendment in October, 1984.

Thank you for your attention to this request.

Sincerely,

Mike Barnes

Michael D. Barnes
Chairman
Subcommittee on Western
Hemisphere Affairs

MDB:na

EXHIBIT 40B

#566

..ied/Released on MAY 7, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

N 9648

September 12, 1985

~~CONFIDENTIAL~~

Dear Congressman Barnes:

This is in reply to your letter of August 16, regarding the activities of members of the NSC staff in connection with the Nicaraguan democratic resistance. Like you, I take these charges very seriously and consequently have thoroughly examined the facts and circumstances which could bear upon these charges in any fashion.

Based on this review, I want to assure you that my actions, and those of my staff, have been in compliance with both the spirit and the letter of the law. In your letter, you referred specifically to the proscriptive language of Section 8066 of P.L. 98-473--the Boland Amendment. There have not been, nor will there be, any expenditures of NSC funds which would have the effect of supporting directly or indirectly military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual. Indeed, our actions have been and must be in conformity, not only with this proscription, but with all laws.

Your letter affords a useful opportunity to comment upon allegations in the media regarding the activities of Lieutenant Colonel North and other members of my staff. Various NSC staff officers have been in contact with members of the Nicaraguan resistance since the opposition began to organize in 1982. These staff contacts, as well as my own, and those of the President, have been important in determining the course of our policy. Discussions with the resistance leaders have helped us to assess the integrity of their commitment to the cause of democracy and justice in Nicaragua. We have also discussed the evolving character of U.S. support as we moved from covert support for their cause in 1982-84 to the more restrictive, exclusively political support allowed since October of last year to the current situation in which we are able to provide only humanitarian assistance.

Contrary to reports that we used these contacts to provide "tactical influence" or to plan military operations, we urged the resistance leaders to forge a representative political front, involving credible non-military figures, aimed at achieving a democratic outcome in Nicaragua. We have also emphasized that

~~CONFIDENTIAL~~

CONFIDENTIAL

the resistance must investigate charges of human rights violations, punish any guilty parties, and put in place measures to prevent such acts from taking place. Throughout, we have scrupulously abided by the spirit and the letter of the law. None of us has solicited funds, facilitated contacts for prospective potential donors, or otherwise organized or coordinated the military or paramilitary efforts of the resistance.

Since October 1984 when the Boland restrictions were enacted, Lieutenant Colonel North has travelled to Central America eight times for the purpose of meeting with foreign government officials regarding our Central America policy. During these trips, as well as in other meetings in the U.S., he has conferred with leaders of the Nicaraguan resistance. He acknowledged to both the foreign government officials and the opposition leaders that, while we could no longer contribute directly or indirectly to the military/paramilitary prosecution of their resistance, we would continue to seek Congressional support for their cause. He further urged, as I did during my January 1985 trip to the region, that every effort be made to broaden their political base and establish a political program providing for negotiations toward an internal reconciliation. We also urged that they make clear their commitment to a political, not a military solution, in their international contacts.

These efforts led to the March 1 San Jose Declaration in which the freedom fighters offered to lay down their arms and enter into a church-mediated dialogue with the Sandinistas. As this process matured this past Spring, the President met with the three principal resistance leaders and encouraged them to desist from military activites when it appeared that their proposal might be accepted by the Sandinistas. These actions resulted in the June 12 statement of democratic objectives announced by the Unified Nicaraguan Opposition (UNO) in San Salvador, El Salvador. Our emphasis throughout has been on a political rather than a military solution.

Recent contacts with the resistance have focused on ensuring that the $27 million in humanitarian assistance is properly administered and fully compliant with the legal requirements contained in the legislation. In short, we want to do it right. I well recognize that the Administration and the Congress may differ as to how we can best achieve our shared goal of a democratic outcome in the Central American region. Nonetheless, we agree on the desirability of this outcome and that it must be achieved within the limits of our law.

CONFIDENTIAL

~~CONFIDENTIAL~~

3

N 9650

Mr. Chairman, like you, I am most concerned that at a time when humanitarian assistance is being extended to the UNO there be no misgivings as to the existence of any parallel efforts to provide, directly or indirectly, support for military or paramilitary activities in Nicaragua. There has not been, nor will there be, any such activities by the NSC staff. In the interest of providing such assurances as may be helpful in forging mutual trust and confidence, I remain fully prepared to discuss these matters with you and other members of your committee.

Thank you again for this opportunity to clarify a most unfortunate misrepresentation of the facts.

Sincerely,

Robert McFarlane

The Honorable Michael D. Barnes
House of Representatives
Washington, D.C. 20515

~~CONFIDENTIAL~~

CONFIDENTIAL

Exhibit 40C

UNCLASSIFIED #572

7270

N 9651

[illegible]

Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

September 30, 1985

The Honorable Robert C. McFarlane
Assistant to the President for
   National Security Affairs
Executive Office of the President
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

Thank you for your letter of September 12 regarding the activities of members of the staff of the National Security Council in connection with the Nicaraguan rebels.

I appreciate having your explanation of these activities and your willingness to discuss these matters further. I suggest that you have your staff call my office to arrange a mutually convenient time for us to meet. Of course, this meeting is not a substitute for further action by the Committee on this matter, should the Committee consider such action to be appropriate.

However, I am sure you understand that the pertinent documents must be provided if the Committee is to be able to fulfill its obligation to adopt legislation governing the conduct of United States foreign policy and to oversee the implementation of that policy under the law. In your letter, you do not refer to my request for such documents. In order to enhance the usefulness of our meeting, I request that you provide the necessary documents to me in advance so that I may review them prior to the meeting.

It may be helpful if I spell out more clearly the interest of the Committee. The Committee retains its concern about possible violations of federal law by members of the NSC staff. However, that is not the Committee's only--or even primary--concern, given that the enforcement of the law is an Executive Branch function. It is the Committee's responsibility, however, to conduct oversight of laws that limit the activities of the Executive Branch under the Committee's jurisdiction, and to reach judgments as to whether changes in the law are indicated by those activities. Even if the Committee determined that the activities of the NSC staff on this matter were entirely legal, the Committee might still determine that changes in the law were necessary.

I am sure it is obvious to you that the Committee cannot make those judgments unless it has in its possession all information, including memoranda and other documents, pertaining to any contact between the NSC staff and Nicaraguan rebel leaders. I would hereby renew my request for such information, both oral and documentary. In order that there will be no misunderstanding, I want to make it clear that the Committee's interest is in any information that pertains to NSC contacts with the rebels, regardless of whether those contacts took place prior to or after the effective date of the Boland amendment.

I appreciate your desire to be forthcoming on this matter and look forward to our meeting.

Sincerely,

Mike Barnes

Michael D. Barnes
Chairman
Subcommittee on Western
Hemisphere Affairs

cc: The Honorable Dante B. Fascell

MDB:vj

EXHIBIT 40D

[illegible]

#573

EXHIBI
40D

Congress of the United States
Committee on Foreign Affairs
House of Representatives
Washington, DC 20515

9660

October 29, 1985

The Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs
Executive Office of the President
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

I am writing with respect to my request for information and documentation on the activities of members of the staff of the National Security Council in connection with the Nicaraguan rebels.

I appreciate your willingness to share some such information and documentation with me. However, it is my belief that the procedures that you have suggested under which I would have access to this information would be inadequate to permit me to reach any confident conclusions regarding the relationship of the NSC staff with the rebels. Clearly, competent staff must have the opportunity to subject this information to serious analysis if any meaningful conclusions are to be drawn. I have consulted with the leadership of the House, which shares my belief on this matter.

Accordingly, and after consultation with the Chairman of the Permanent Select Committee on Intelligence, The Honorable Lee H. Hamilton, I hereby request that you provide this information and documentation to the Intelligence Committee under that Committee's normal procedures for Member and staff access to and review of highly classified materials.

I believe that this proposal would surely resolve any concerns that the Administration might have about the security of the information, while at the same time fulfilling the responsibilities of the House.

As you requested during our recent meeting, I am attaching an outline of the information that we are requesting.

N 9661

Once again, I appreciate your willingness to be forthcoming on this matter and trust that this proposal will resolve the issue of congressional access to this information to everyone's satisfaction.

Sincerely,

Mike Barnes

Michael D. Barnes
Chairman
Subcommittee on Western
Hemisphere Affairs

cc: The Honorable Thomas P. O'Neill, Jr.
The Honorable Lee H. Hamilton
The Honorable Dante B. Fascell

MDB:vj

ILLUSTRATIVE LIST OF INFORMATION REQUIRED OF THE NSC ON ITS RELATIONS WITH THE CONTR

A complete list of all meetings or contacts between Lt. Col. North or any other member or official of the NSC staff and:

N 9662

(a) "members of the Nicaraguan resistance since the opposition began to organize in 1982" (September 12 McFarlane letter, p. 1. third para.).

(b) "leaders of the Nicaraguan resistance" since October, 1984 (September 12 McFarlane letter, p. 2, first full para.).

(c) the Nicaraguan resistance that "have focused on ensuring that the $27 million in humanitarian assistance is properly administered and fully compliant with the legal requirements contained in the legislation" (September 12 McFarlane letter, p. 2, last para.).

(d)paramilitary groups such as CMA, Soldiers of Fortune, etc.

(e) Friends of the Americas, a Louisiana group headed by Woody Jenkins.

(f) representatives of South Korea, Taiwan, Israel, or any other country, in July, 1984, or at any other time, pertaining to assistance for the Nicaraguan resistance.

(g) John Hull, an American rancher with land in northern Costa Rica.

(h) General Singlaub,or any other person involved in fundraising for the resistance, regarding fundraising plans or activities, military needs of the resistance, or any other matter relating to the Nicaraguan resistance.

(i) any person pertaining to the Nicaraguan refugee fundraising dinner that was held in April, 1985.

2. All information with respect to any meeting or other contact referred to above, including any membranda, reports, minutes, meeting schedules, appointment calendars, memoranda of calls, phone logs, and any other information.

3. Any memoranda or other documents prepared by Lt. Col. North or any other member or officer of the NSC staff containing or discussing plans or programs with respect to aid for the Nicaraguan resistance, any supporting documentation or other information related to such documents, any records of NSC consideration or review of any such plans or programs, and any documents pertaining to the adoption or implementation of any such plans or programs.

EXHIBIT 40E

N 5400

Paul - Please
clear with
Fielding
before dispatch.
Bud

Paul -

[illegible]

for [illegible] semantic [illegible] & also for
your guidance in this

Bud

4040 E

CONFIDENTIAL

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

SYSTEM II
91160

N 5401

November 8, 1985

CONFIDENTIAL

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Response to Letter from Congressman Mike Barnes re Documentation and Activities of the NSC Staff in Connection with the Nicaraguan Resistance

Attached at Tab I is a letter from you to Congressman Barnes which responds to his letter of October 29, 1985 (Tab II). [redacted]

Attached at Tab III is Karna's note regarding Barnes' recent press revelations.

RECOMMENDATION

That you sign and forward the letter at Tab I.

[✓ Approve] Disapprove ____

Attachments
- Tab I - McFarlane ltr to Barnes
- Tab II - Barnes ltr to McFarlane of October 29, 1985
- Tab III - Small Note North of November 8, 1985

CONFIDENTIAL
Declassify: OADR

CONFIDENTIAL

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

#574

N 3392

Dear Congressman Barnes:

This is in reply to your letter of October 29, regarding additional information on NSC connections with the Nicaraguan democratic resistance that we discussed in our meeting of October 17. I regret that you have chosen not to avail yourself of the offer made at this meeting for a review of information relevant to your concerns. Unfortunately, I cannot agree to provide the documentation you have requested.

I am sure you understand my grave concern about the wide ranging consequences of making available internal Presidential documents regarding sensitive relations with other governments. The materials you have requested are deliberative documents and are the appropriate purview of the Executive branch which must abide by its commitments to other governments not to compromise sensitive information. The Executive branch cannot delegate this responsibility to the Congress and maintain its credibility with those entrusted to govern in other countries. The right of the Executive to maintain confidentiality of information important to the conduct of our foreign affairs must be sustained. This principle dates back to the time of our first President, wherein he refused to lay before the House of Representatives the instructions, correspondence, and documents relating to the negotiation of what came to be known as the Jay Treaty. This longstanding principle has been consistently upheld by the Supreme Court in a number of cases, including United States vs. Curtiss-Wright Export Corp.

The viability of this principle is perhaps even more important now than it was in the 18th century. Today, modern telecommunications make it possible for adversaries of the United States to be apprised instantly of damaging information made available through unauthorized disclosure. Such disclosures adversely effect the national security of the United States and endanger our citizens. Indeed, it must be noted with regret that my classified correspondence to you of September 5, 1985 was apparently revealed to members of the media who reported in detail on its contents.

Sincerely,

The Honorable Michael D. Barnes
House of Representatives
Washington, D.C. 20515

~~CONFIDENTIAL~~
Declassify: OADR

Declassified/Released on MAY 7, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT 41

#563

EXHIBIT [illegible]

[illegible]

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON, DC 20515

N 9663
AUG 21 1985

August 20, 1985

Honorable Robert C. McFarlane
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

Recent press accounts of the alleged activities by the National Security Council regarding the contras in Nicaragua raise some questions.

If the NSC did engage in actions that supported the military activity of the contras, I am curious about what actions were taken by the NSC to support the activities of the contras during the period after the enactment of the Boland amendment and before its recent modification.

I would like to receive a full report on the kinds of activities regarding the contras that the NSC carried out and what the legal justification is for such actions given the legislative prohibitions that existed last year and earlier this year.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

EXHIBIT 41A

~~Declassified~~/Released on MAY 7, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

#564

EXHIBIT
41A

THE WHITE HOUSE
WASHINGTON

N 9664

September 5, 1985

Dear Mr. Chairman:

This is in reply to your letter of August 20, 1985 in which you called attention to press reports of "...alleged activities by the National Security Council (staff) regarding the contras in Nicaragua..." and asked for a full report and legal justification for any such activities. Like you, I take such charges very seriously and consequently have thoroughly examined the facts and all matters which in any remote fashion could bear upon these charges. From that review I can state with deep personal conviction that at no time did I or any member of the National Security Council staff violate the letter or spirit of the law. While your letter refers to the language of the Boland amendment which proscribes activities "...for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual," I would extend my assurance to the violation of any law.

Your letter does provide a timely opportunity to restate the policy of this Administration with regard to the Nicaraguan Freedom Fighters and just what activities have been undertaken in support of this policy. First, it is I think clear that President Reagan believes in the cause espoused by the Freedom Fighters -- opposition to Sandinista repression and the achievement of democracy in Nicaragua. But it is also true that the President has made it emphatically clear that all US support was to be in strict compliance with the law. What then was the nature of our contacts with the Freedom Fighters?

In the fall of last year, with the enactment of the Boland Amendment, it was apparent that the Freedom Fighters were demoralized at the prospect of an end to US support for their cause. While we acknowledged to them that we could no longer contribute directly or indirectly to the military/paramilitary prosecution of their resistance, we stated that we would continue to seek Congressional support to do so and that meanwhile they could usefully devote their efforts in other directions. For example, it was clear that the Freedom Fighters were at a disadvantage to the extent that their goals, purposes and terms were poorly understood while those of the Sandinistas were promoted by their existing diplomatic and public affairs institutions and those of their bloc patrons. In order to help balance this promotional effort, we discussed with the Contra leaders the importance of their explaining their cause to the public and their providing information to interested Members of the Congress. We pointed out why there was a natural sentiment of antagonism toward them by some in the United States. In this

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latter regard, we stressed reports of alleged atrocities imputed to them and urged strongly that they investigate these charges and, if true, punish those responsible. Separately, we stressed that their purposes would suffer a lack of credibility for as long as their activities remained only military. We urged that they forge a representative political front involving credible non-military figures and that this front take responsibility for framing a political program centered on achieving a peaceful, democratic evolution in Nicaragua. Over time, these efforts led to the March 1 San Jose declaration in which the Freedom Fighters offered to lay down their arms and enter into a church-mediated dialogue with the Sandinistas. As this process began to mature this past spring we encouraged them to desist from military activities at a time when their proposal might have had some chance of adoption by the other side. At no time did we encourage military activities. Our emphasis on a policial rather than a military solution to the situation was as close as we ever came to influencing the military aspect of their struggle.

It is equally important to stress what we did not do. We did not solicit funds or other support for military or paramilitary activities either from Americans or third parties. We did not offer tactical advice for the conduct of their military activities or their organization. Nor did our liaison contacts seek to influence them toward other than a democratic outcome. Our most recent contacts with the Freedom Fighters have dealt with the administration of the $27 million in humanitarian assistance. Our effort has been to ensure that this program is properly administered and that it, too, is fully compliant with the legal requirements contained in the legislation. In short, we want to do it right.

With regard to the legal justification for the activities I have cited, I can only state the reasonable requirement that any Administration gain appropriate information on which to base coherent policy decisions. The Freedom Fighters comprised one significant element among many on whom it was and remains important for the Administration to be advised in a timely fashion. As a personal observation I would only add that had we failed to do so, the absence of influence, which in all likelihood would have ensued, could have led the Freedom Fighters to adopt a purely military effort -- a course which neither you nor I would support. But I wish to stress once more that at no time did it seem to me that any of our activities was in contravention of law or the public trust.

Mr. Chairman, I believe that future events will confirm that our contact with the resistance has had a positive effect on achieving a democratic outcome in the region. I well recognize that the Administration and the Congress may differ as to how best to achieve this goal. Nonetheless, we are both in agreement that such an outcome is desirable and that it must be achieved within the limits of our law. Should you so desire, I would be

N 9666

most willing to discuss this matter further with you and other members of your committee. Thank you for this opportunity to clarify what has been a most unfortunate misrepresentation of the facts.

Sincerely,

Robert McFarlane

The Honorable Lee H. Hamilton
Chairman
Permanent Select Committee
  on Intelligence
House of Representatives
Washington, D. C. 20515

P.S. Mr. Chairman, I would like to call to your attention a particularly unfortunate result of the recent public allegations. Following the appearance in a Sunday article of the charges, Lieutenant Colonel Oliver North, the officer who conducted many of the contacts with the Freedom Fighters, suffered a number of intrusions on his family life. Demonstrators at his home pushed down a fence; one of his pets was poisoned and his automobile was damaged. He and members of his family received numerous harassing telephone calls at various times of day and night. To avoid this harassment, he had to leave home with his family and take up temporary residence at a remote location until the demonstrations ceased. I would ask that you not share these events with anyone for neither he nor I wish to engender sympathy. I bring them to your attention in the interest of bringing this matter to a close. I am at your disposal to help in any way possible.

EXHIBIT 41B

UNCLASSIFIED

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON, DC 20515

N 9668

EXHIBIT
41B

September 12, 1985

Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs
The White House
Washington, D. C. 20500

Dear Mr. McFarlane:

At our meeting Tuesday, you agreed to answer written questions submitted by Members of the Committee concerning allegations about the activities of Lieutenant Colonel Oliver North of your staff. Enclosed are questions that have been submitted by Members of the Committee.

The Committee appreciates your willingness to discuss this matter and to respond to these questions.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

Enclosure

QUESTIONS

N 9669

Direction, Tactical Influence, and Advice to the Contras

1. Both Adolfo Calero and Edgar Chamorro (Washington Post, 14 August 1985 and Miami Herald, 24 June 1985) have publicly stated that Colonel North traveled to Honduras in the spring of 1984 to assure them that, despite Congressional opposition, the White House would "find a way to keep their movement alive." Also, they note that Colonel North met with them in June 1984. What was the purpose of Colonel North's visit to the FDN in April and June 1984?

2. It has been alleged in the New York Times (8 Aug 85) that Colonel North was advised in advance of proposed rebel attacks and had offered the rebels advice and direction. Do you have any knowledge of whether this is true? A specific example was cited: an attack in July on a ferry boat that travels between Rama and Bluefields in southeastern Nicaragua. Do you have any knowledge of whether the NSC had advance information that attack was to take place?

3. When the CIA had to withdraw from their day-to-day contact with the rebels, it has been alleged in the New York Times (8 Aug 85) that Colonel North tried to fill the void, partly through helping facilitate the supplying of logistics help. Did Colonel North, in his capacity as a staff member at the National Security Council, use his influence to facilitate the movement of supplies, either raised privately in this country or otherwise, to the contras?

N 9670

4. A Nicaraguan exile leader is quoted in the New York Times (8 Aug 85) as stating that Colonel North was very important in coordinating efforts to reorganize and better coordinate the operations of the two main rebel groups, the FDN and the Democratic Revolutionary Alliance or ARDE, and that he had met with rebel leaders in both countries. Is that an accurate statement?

5. There are allegations of some concern expressed by intelligence officials in the CIA that Colonel North may have been walking a dangerous line in his activities with the contras (New York Times, 10 Aug 85). Were such sentiments brought to your attention?

6. Adolfo Calero, President of the FDN and a leading figure in the new Unified Nicaraguan Opposition (UNO), the group which will receive the $27 million of humanitarian assistance, has stated publicly (Washington Post, 14 Aug 85) that he met a half a dozen times with Colonel North this spring. For what purpose did Colonel North meet so frequently with Mr. Calero?

7. It has also been alleged that Colonel North had to travel to Honduras and meet with Honduran military leaders because apparently they were siphoning off supplies which were intended for the contras. As a result, the supply effort was switched from the civilian airport at Tegucigalpa to the military airfield at Palmerola. Did Colonel North undertake such a mission?

QUESTIONS

Facilitating the Raising of Funds from Private Sources

1. Has Colonel North been the focal point within the NSC staff for handling contacts with private fundraising groups, such as the World Anti-Communist League and the Council for World Freedom headed by retired Major General John K. Singlaub?

2. General Singlaub has stated (Washington Post, 9 Aug 85) that he would often talk to Colonel North and inform him what he was doing and then state that if it was a dumb idea, for North to send him a signal. Is that your impression of the relationship between General Singlaub and Colonel North?

3. It is alleged (Miami Herald, 24 Jun 85), after a visit by Colonel North and a CIA official to the FDN in June 1984, that the CIA provided funds to publish ads in American newspapers to solicit private aid. Is that, in fact, what occurred?

4. Did Colonel North at any time during the frequent speeches and lectures that he has given around the country on the subject of Nicaragua, advise individuals on how they might donate money to the rebels as was alleged in the New York Times (8 Aug 85)?

N 9672

5. It has been alleged in the Washington Post (11 Aug 85) that Colonel North has been particularly close to the leadership of the Citizens for America, an organization headed by Lewis Lehrman, and that Colonel North was in almost daily contact with the former executive director of that group and helped select contras for speaking engagements and tours within the United States organized by the Citizens for America during the April Congressional debates. Is that true?

6. General Singlaub has indicated (New York Times, 10 Aug 85) that, at one time, he had fairly frequent contacts with individuals within the Department of Defense and other agencies concerning the Nicaraguan freedom fighters but, because of the Congressional restriction, he didn't go near the Pentagon anymore. Why did he continue to deal with Colonel North?

7. It has been alleged that Colonel North has been in close contact with Alvaro Rizzo, a former Somoza diplomat, who was a member of the Nicaraguan Development Council and also the Nicaraguan Refugee Fund and that both Colonel North and another member of the NSC staff, Mr. Walter Raymond, met with Rizzo earlier this year to help set up the Nicaraguan Refugee Dinner which was held in April at which the President spoke. Were Colonel North and Mr. Raymond involved in helping set up this dinner?

8. While Colonel North may not have had direct contact with paramilitary groups such as CMA, Soldier of Fortune and others, it is alleged that Colonel North used other members of the White House staff, to include his secretary, to communicate with these groups. Do you know anything about that?

N 9673

9. Has Colonel North been active with a group headed by Mr. Woody Jenkins of Louisiana known as the Friends of the Americas and has he assisted this group in obtaining transport for goods which they have provided to Nicaraguan refugees?

RELATED QUESTIONS

N 9674

1. The Associated Press reported that three foreign countries came to the White House in July 1984 and offered to provide assistance to the contras but without any quid pro quo. Is that true?

2. The Nicaraguan freedom fighters, in the last two months, are reported by the U.S. Embassy, Tegucigalpa to have received a large influx of funds and equipment with some estimates of their value reaching as high as $10 million or more. Do you know where they have obtained this assistance?

3. Why was it necessary to have someone from the National Security Council staff in touch with the various contra groups? Couldn't this have been better handled in Central America by State Department representatives by CIA personnel who could have certainly maintained contact for the purposes of collecting information, which is what Deputy Press Secretary Speaks implied was the reason for Colonel North's contact?

4. The Washington Post reported (28 Aug 85) that according to leaders of Misura, the main coalition of the Indians fighting the Sandinsta government, Central Intelligence agency personnel brokered two agreements this year on how the insurgent groups should divide supplies which had been privately raised. To your knowledge, was the CIA involved in brokering this agreement? Was any NSC official? Any other U.S. official?

N 9675

5. You have been quoted as saying that the role of the NSC staff was to collect information and to offer encouragement to the contras. How do you distinguish between that and the provision of advice and assistance in raising funds?

6. Why didn't you come to the Congress when this relationship began and inform us that there would be high-level contacts but they were for the purpose of "collecting information and keeping the faith"?

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by B. Reger, National Security Council

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QUESTIONS AND ANSWERS

Direction, Tactical Influence, and Advice to the Contras N 9677

Q-1 Both Adolfo Calero and Edgar Chamorro (Washington Post, 14 August 1985 and Miami Herald, 24 June 1985) have publicly state that Colonel North traveled to Honduras in the spring of 1984 to assure them that, despite Congressional opposition, the White House would "find a way to keep their movement alive." Also, they note that Colonel North met with them in June 1984. What was the purpose of Colonel North's visit to the FDN in April and June 1984?

A-1 As I noted in my briefing on September 10, Lieutenant Colonel North has traveled frequently to Central America to meet with those who our policy is designed to support, as well as those who are opposed to it. Lieutenant Colonel North did not travel to Honduras in April or June 1984. During a visit to Honduras in May 1984, Lieutenant Colonel North met with members of the Honduran Government and the Nicaraguan democratic resistance. He assured them that the Administration was committed to the cause of the democratic resistance and would, as the President had promised, go back to the Congress for resources to support a democratic outcome in Nicaragua.

Q-2 It has been alleged in the New York Times (8 Aug 85) that Colonel North was advised in advance of proposed rebel attacks and had offered the rebels advice and direction. Do you have any knowledge of whether this is true? A specific example was cited: an attack in July on a ferry boat that travels between Rama and Bluefields in southeastern Nicaragua. Do you have any knowledge of whether the NSC had advance information that attack was to take place?

A-2 The allegation that Lieutenant Colonel North offered the resistance tactical advice and direction is, as I indicated in my briefing, patently untrue.

Q-3 When the CIA had to withdraw from their day-to-day contact with the rebels, it has been alleged in the New York Times (8 Aug 85) that Colonel North tried to fill the void, partly through helping facilitate the supplying of logistics help. Did Colonel North, in his capacity as a staff member of the National Security Council, use his influence to facilitate the movement of supplies, either raised privately in this country or otherwise, to the contras?

A-3 Lieutenant Colonel North did not use his influence to facilitate the movement of supplies to the resistance.

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Exhibit 41C

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by B. Reger, National Security Council

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#568

THE WHITE HOUSE
WASHINGTON

N 9676

October 7, 1985

EXHIBIT
41C

UNCLASSIFIED
~~CONFIDENTIAL~~ w/attachment

Dear Mr. Chairman:

Please find attached responses to the questions posed by members of your committee and forwarded under your letter of September 12, 1985. Where requisite information was provided in my briefing of September 10, the response so indicates. I have classified the responses to preclude the unintentional disclosure of classified information or potential embarrassment to friendly governments in the region.

I remain committed to cooperate fully with you and your committee on this matter. I am, however, increasingly concerned that continuing this process of constantly responding to unsubstantiated allegations by unnamed individuals is debilitating to our overall effort to achieve a democratic outcome in Nicaragua. It is my sincere hope that this communication will suffice to put this matter to rest so that we can get on with the more important task of ensuring that the recently implemented humanitarian assistance program is properly administered.

Sincerely,

Attachment

The Honorable Lee H. Hamilton
Chairman, Permanent Select Committee
on Intelligence
U.S. House of Representatives
Washington, D.C. 20515

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~~CONFIDENTIAL~~ w/attachment ~~CONFIDENTIAL~~

UNCLASSIFIED
CONFIDENTIAL

N 9678

QUESTIONS AND ANSWERS (Cont'd...)
Direction, Tactical Influence, and Advice to the Contras

Q-4 A Nicaraguan exile leader is quoted in the New York Times (8 Aug 85) as stating that Colonel North was very important in coordinating efforts to reorganize and better coordinate the operations of the two main rebel groups, the FDN and the Democratic Alliance or the ARDE, and that he had met with rebel leaders in both countries. Is that an accurate statement?

A-4 As I indicated in my briefing and my earlier letter, the NSC has been actively engaged in urging the resistance to forge a representative political front involving credible non-military figures and that this front assume responsibility for framing a political program aimed at a democratic outcome in Nicaragua.

Q-5 There are allegations of some concern expressed by intelligence officials in the CIA that Colonel North may have been walking a dangerous line in his activities with the contras (New York Times, 10 Aug 85). Were such sentiments brought to your attention?

A-5 I am aware that unnamed intelligence officials have been quoted in the New York Times as being "concerned" about Lieutenant Colonel North's activities. No official of our intelligence community in any of our frequent meetings has ever taken the opportunity to address such a "concern." ✓

Q-6 Adolfo Calero, President of the FDN and a leading figure in the new Unified Nicaraguan Opposition (UNO), the group which will receive the $27 million of humanitarian assistance, has stated publicly (Washington Post, 14 Aug 85) that he met a half a dozen times with Colonel North this spring. For what purpose did Colonel North meet so frequently with Mr. Calero?

A-6 As indicated above and in my briefing, Lieutenant Colonel North and others in the Administration, including the President and I, have met with Messrs. Calero, Cruz, and Robelo; leaders of the Indian opposition; and opposition figures from the Nicaraguan southern resistance front in order to better determine the course of our policy and to convey our concerns regarding human rights.

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N 9679

QUESTIONS AND ANSWERS (Cont'd...)
Direction, Tactical Influence, and Advice to the Contras

Q-7 It has also been alleged that Colonel North had to travel to Honduras and meet with Honduran military leaders because apparently they were siphoning off supplies which were intended for the contras. As a result, the supply effort was switched from the civilian airport at Tegucigalpa to the military airfield at Palmerola. Did Colonel North undertake such a mission?

A-7 No.

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~~CONFIDENTIAL~~

QUESTIONS AND ANSWERS

N 9680

Facilitating the Raising of Funds from Private Sources

Q-1 Has Colonel North been the focal point within the NSC staff for handling contacts with private fund raising groups, such as the World Anti-Communist League and the Council for World Freedom headed by retired Major General John K. Singlaub?

A-1 No.

Q-2 General Singlaub has stated (Washington Post, 9 Aug 85) that he would often talk to Colonel North and inform him what he was doing and then state that if it was a dumb idea, for North to send him a signal. Is that your impression of the relationship between General Singlaub and Colonel North?

A-2 There is no official or unofficial relationship with any member of the NSC staff regarding fund raising for the Nicaraguan democratic opposition. This includes the alleged relationship with General Singlaub.

Q-3 It is alleged (Miami Herald, 24 Jun 85), after a visit by Colonel North and a CIA official to the FDN in June 1984, that the CIA provided funds to publish ads in American newspapers to solicit private aid. Is that, in fact, what occurred?

A-3 To my knowledge, the CIA has never provided any funds for publishing any material in U.S. newspapers.

Q-4 Did Colonel North at any time during the frequent speeches and lectures that he has given around the country on the subject of Nicaragua, advise individuals on how they might donate money to the rebels as was alleged in the New York Times (8 Aug 85)?

A-4 No.

Q-5 It has been alleged in the Washington Post (11 Aug 85) that Colonel North has been particularly close to the leadership of the Citizens for America, an organization headed by Lewis Lehrman, and that Colonel North was in almost daily contact with the former executive director of that group and helped select contras for speaking engagements and tours within the United States organized by the Citizens for America during the April Congressional debates. Is that true?

A-5 No.

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UNCLASSIFIED

QUESTIONS AND ANSWERS (Cont'd...)
Facilitating the Raising of Funds from Private Sources N 9621

Q-6 General Singlaub has indicated (New York Times, 10 Aug 85) that, at one time, he had fairly frequent contact with individuals within the Department of Defense and other agencies concerning the Nicaraguan freedom fighters but, because of Congressional restriction, he didn't go near the Pentagon anymore. Why did he continue to deal with Colonel North?

A-6 You would have to inquire with General Singlaub as to why he chose not to be in contact with other departments or agencies. NSC contacts with General Singlaub were not unlike those with other concerned Americans who have an interest in our foreign policy. It should also be noted that Lieutenant Colonel North and other members of the NSC have also been in frequent contact with those who oppose our policy or who have differing views. Lieutenant Colonel North and others, in the course of their duties, have also met with the World Council of Churches, the National Council of Churches, the American Friends Service Committee, and other organizations which have expressed disfavor for our Central American policy.

Q-7 It has been alleged that Colonel North has been in close contact with Alvaro Rizzo, a former Somoza diplomat, who was a member of the Nicaraguan Development Council and also the Nicaraguan Refugee Fund, and that both Colonel North and another member of the NSC staff, Mr. Walter Raymond, met with Rizzo earlier this year to help set up the Nicaraguan Refugee Dinner which was held in April at which the President spoke. Were Colonel North and Mr. Raymond involved in helping set up this dinner?

A-7 Lieutenant Colonel North and Mr. Raymond coordinated the request for Presidential involvement in the Nicaraguan Refugee Fund dinner in the same manner that the NSC staff routinely coordinates other functions involving the President, such as the recent appearance before the INTERPOL conference.

Q-8 While Colonel North may not have had direct contact with paramilitary groups such as the CMA, Soldier of Fortune, and others, it is alleged that Colonel North used other members of the White House staff, to include his secretary, to communicate with these groups. Do you know anything about that?

A-8 This allegation is untrue.

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~~CONFIDENTIAL~~

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N 9682

QUESTIONS AND ANSWERS (Cont'd...)
Facilitating the Raising of Funds from Private Sources

Q-9 Has Colonel North been active with a group headed by Mr. Woody Jenkins of Louisiana known as the Friends of the Americas and has he assisted this group in obtaining transport for goods which they have provided to Nicaraguan refugees?

A-9 Friends of the Americas is a reputable, private, voluntary organization providing humanitarian assistance to Nicaraguan refugees. Our contacts with Friends of the Americas have been the same as those maintained with Knights of Malta, the Knights of Columbus, Project Hope, and other humanitarian organizations committed to easing human suffering. No assistance has been provided to this or other groups in obtaining transportation.

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~~CONFIDENTIAL~~

ANSWERS TO RELATED QUESTIONS

N 9683

Q-1 The Associated Press reported that three foreign countries came to the White House in July 1984 and offered to provide assistance to the contras but without any quid pro quo. Is that true?

A-1 No.

Q-2 The Nicaraguan freedom fighters, in the last two months, are reported by the U.S. Embassy, Tegucigalpa, to have received a large influx of funds and equipment with some estimates of their value reaching as high as $10 million or more. Do you know where they have obtained this assistance?

A-2 No.

Q-3 Why was it necessary to have someone from the National Security Council staff in touch with the various contra groups? Couldn't this have been better handled in Central America by State Department representatives by CIA personnel who could have certainly maintained contact for the purposes of collecting information, which is what Deputy Press Secretary Speakes implied was the reason for Colonel North's contact?

A-3 The statutory function of the National Security Council is to advise the President with respect to the integration of domestic, foreign, and defense policies related to the national security of the United States. The Council has the responsibility to assess and appraise the objectives of the United States on matters of common interest to the departments and agencies of the government, and to make such recommendations and such reports to the President as it deems appropriate or as the President may require. It is the responsibility of the NSC staff to facilitate this process. Thus, it follows that NSC staff members must be in contact with a wide range of groups, movements, and individuals who are affected by our policies.

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~~CONFIDENTIAL~~

N 9684

ANSWERS TO RELATED QUESTIONS (Cont'd...)

Q-4 The Washington Post reported (28 Aug 85) that according to leaders of Misura, the main coalition of the Indians fighting the Sandinista government, Central Intelligence Agency personnel brokered two agreements this year on how the insurgent groups should divide supplies which had been privately raised. To your knowledge, was the CIA involved in brokering this agreement? Was any NSC official? Any other U.S. official?

A-4 As indicated above, we have actively encouraged a broad based political unity movement within the Nicaraguan democratic opposition. The opposition includes the various Indian and Creole factions -- now unified as KISAN -- headed by their newly elected coordinator, Wycliffe Diego. However, the Washington Post (28 Aug 85) article to which you made reference is without basis in fact.

Q-5 You have been quoted as saying that the role of the NSC staff was to collect information and to offer encouragement to the contras. How do you distinguish between that and the provision of advice and assistance in raising funds?

A-5 I believe that my briefing to your committee on September 10, adequately explained how I distinguish between collecting information and offering encouragement and the issues of advice, assistance, and fund raising.

Q-6 Why didn't you come to the Congress when this relationship began and inform us that there would be high-level contacts but they were for the purpose of "collecting information and keeping the faith"?

A-6 My confidence of full compliance with the law and the absence of any other reporting requirement obviated need for such contact.

UNCLASSIFIED
~~CONFIDENTIAL~~

EXHIBIT 41D

#569

[illegible]

United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510

N 9653

085 - 3298

October 1, 1985

The Honorable Robert C. McFarlane
Assistant to the President for
National Security Affairs
The White House
Washington, D.C. 20500

Dear Bud:

Both of us want to thank you again for meeting with us and discussing the actions alleged to have been undertaken by the NSC staff in support of the anti-Sandinista insurgents in Nicaragua. Since our meeting, additional information has been given us relating to this issue. We would appreciate your response to the following allegations:

1. Sometime in the Spring of 1984 Lt. Col North or someone else on the NSC staff drafted a plan for coordinating the efforts of private individuals who wanted to contribute to the insurgents and that the plan was briefed to the President. Alternatively, such a plan was drafted elsewhere and presented to Lt. Col. North or another member of the NSC staff for review or approval.

2. Major General John Singlaub, U.S.A. (Ret.) was designated an unofficial contact person between the NSC and private fund-raisers. General Singlaub then coordinated his fund-raising activities with NSC staff members.

3. Contacts between General Singlaub and Lt. Col. North before October 12, 1984, dealt with the specifics of how to establish and carry-out a fund-raising campaign in support

The Honorable Robert C. McFarlane
October 1, 1985
Page two

of the insurgents, with Lt. Col. North offering detailed advice to General Singlaub, while contacts between these two individuals after this date were more circumspect and consisted of General Singlaub's making a proposal and waiting for signs of disapproval from Lt. Col. North.

4. Lt. Col. North contacted the Honduran government and arranged resupply of the insurgents through Palmerola, rather than through Toncontin Airport.

5. Lt. Col. North offered on occasion advice to the insurgent military officers on the selection of tactical targets.

Sincerely,

Dave Durenberger
Chairman

Pat

Patrick Leahy
Vice Chairman

Exhibit 41E

CONFIDENTIAL

Declassified/Released on MAY 7, 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

#570

N 9655

EXHIBIT
41E

THE WHITE HOUSE
WASHINGTON

October 7, 1985

UNCLASSIFIED
~~CONFIDENTIAL~~ w/attachment

Mr Chairman
Dear ~~Senator Durenberger~~:

Please find attached responses to allegations conveyed in the October 1, 1985 letter from you and Senator Leahy regarding Lieutenant Colonel Oliver North, USMC of the National Security Council staff. Please note that I have classified the attachment to preclude the unintentional disclosure of classified information or potential embarassment to friendly governments in the region.

While I remain committed to cooperate fully with you and your committee on this matter, I am increasingly concerned that a continuing process which requires us to constantly respond to unsubstantiated allegations by unnamed individuals is debilitating to our overall effort to achieve a democratic outcome in Nicaragua. It is my sincere hope that this communication will suffice to put this matter to rest so that we can get on with the more important task of ensuring that the recently implemented humanitarian assistance program is properly administered.

I have forwarded identical correspondence to Senator Leahy.

Sincerely,

Robert C. McFarlane

Attachment

The Honorable Dave Durenberger
Chairman, Senate Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

UNCLASSIFIED
~~CONFIDENTIAL~~ w/attachment

UNCLASSIFIED
CONFIDENTIAL

~~CONFIDENTIAL~~

ALLEGATIONS AND RESPONSES N 9656

1. "Sometime in the Spring of 1984 Lt. Col North or someone else on the NSC staff drafted a plan for coordinating the efforts of private individuals who wanted to contribute to the insurgents and that the plan was briefed to the President. Alternatively, such a plan was drafted elsewhere and presented to Lt. Col. North or another member of the NSC staff for review or approval." (sic)

   Response: No such plan was drafted, briefed, presented, or approved by anyone.

2. "Major General John Singlaub, U.S.A. (Ret.) was designated an unofficial contact person between the NSC and private fund-raisers. General Singlaub then coordinated his fund-raising activities with NSC staff members." (sic)

   Response: No one has been designated by the NSC or any other White House entity as official or unofficial contact for private or public or any other kind of fundraising for the Nicaraguan democratic resistance.

3. "Contacts between General Singlaub and Lt. Col. North before October 12, 1984, dealt with the specifics of how to establish and carry-out a fund-raising campaign in support of the insurgents, with Lt. Col. North offering detailed advice to General Singlaub, while contacts between these two individuals after this date were more circumspect and consisted of General Singlaub's making a proposal and waiting for signs of disapproval from Lt. Col. North." (sic)

   Response: This statement is patently untrue.

4. "Lt. Col. North contacted the Honduran government and arranged resupply of the insurgents through Palmerola, rather than through Toncontin Airport." (sic)

   Response: This is not so.

5. "Lt. Col. North offered on occasion advice to the insurgent military officers on the selection of tactical targets." (sic)

   Response: Lieutenant Colonel North did no such thing.

~~CONFIDENTIAL~~

Declassified/Released on MAY 7 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

UNCLASSIFIED 571

THE WHITE HOUSE

WASHINGTON

October 7, 1985

N 9657

UNCLASSIFIED
~~CONFIDENTIAL~~ w/attachment

Dear Senator Leahy:

Please find attached responses to allegations conveyed in the October 1, 1985 letter from you and Senator Durenberger regarding Lieutenant Colonel Oliver North, USMC of the National Security Council staff. Please note that I have classified the attachment to preclude the unintentional disclosure of classified information or potential embarrassment to friendly governments in the region.

While I remain committed to cooperate fully with you and your committee on this matter, I am increasingly concerned that a continuing process which requires us to constantly respond to unsubstantiated allegations by unnamed individuals is debilitating to our overall effort to achieve a democratic outcome in Nicaragua. It is my sincere hope that this communication will suffice to put this matter to rest so that we can get on with the more important task of ensuring that the recently implemented humanitarian assistance program is properly administered.

I have forwarded identical correspondence to Senator Durenberger.

Sincerely,

Robert C McFarlane

Attachment

The Honorable Patrick Leahy
Vice Chairman, Senate Select Committee
  on Intelligence
United States Senate
Washington, D.C. 20510

UNCLASSIFIED
~~CONFIDENTIAL~~ w/attachment

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

ALLEGATIONS AND RESPONSES N 9658

1. "Sometime in the Spring of 1984 Lt. Col North or someone else on the NSC staff drafted a plan for coordinating the efforts of private individuals who wanted to contribute to the insurgents and that the plan was briefed to the President. Alternatively, such a plan was drafted elsewhere and presented to Lt. Col. North or another member of the NSC staff for review or approval." (sic)

   Response: No such plan was drafted, briefed, presented, or approved by anyone.

2. "Major General John Singlaub, U.S.A. (Ret.) was designated an unofficial contact person between the NSC and private fund-raisers. General Singlaub then coordinated his fund-raising activities with NSC staff members." (sic)

   Response: No one has been designated by the NSC or any other White House entity as official or unofficial contact for private or public or any other kind of fundraising for the Nicaraguan democratic resistance.

3. "Contacts between General Singlaub and Lt. Col. North before October 12, 1984, dealt with the specifics of how to establish and carry-out a fund-raising campaign in support of the insurgents, with Lt. Col. North offering detailed advice to General Singlaub, while contacts between these two individuals after this date were more circumspect and consisted of General Singlaub's making a proposal and waiting for signs of disapproval from Lt. Col. North." (sic)

   Response: This statement is patently untrue.

4. "Lt. Col. North contacted the Honduran government and arranged resupply of the insurgents through Palmerola, rather than through Toncontin Airport." (sic)

   Response: This is not so.

5. "Lt. Col. North offered on occasion advice to the insurgent military officers on the selection of tactical targets." (sic)

   Response: Lieutenant Colonel North did no such thing.

EXHIBIT 42

FILE: NOTE [redacted] AO WHITE HOUSE COMMUNICATIONS AGENCY PAGE 014

[redacted]

[redacted]

[redacted]

[redacted]

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 11/20/85 21:27:39
To: NSJMP --CPUA

*** Reply to note of 08/31/85 11:26

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Wrap Up as of 2030 EST.
The Israelis will deliver 80 Mod HAWKS [redacted] at noon on Friday 22 Nov.
These 80 will be loaded aboard three chartered aircraft, owned by a proprietary
which will take off at two hour intervals for Tabriz. The aircraft will
file for overflight through the [redacted] FIR enroute to Tabriz from [redacted].
Appropriate arrangements have been made with the proper [redacted] air control

personnel. Once the aircraft have been launched, their departure will be confirmed by [redacted] who will call [redacted] who will call [redacted] who will direct [redacted] in Beirut to collect the five rpt five Amcits from Hizballah and deliver them to the U.S. Embassy. There is also the possibility that they will hand over the French hostage who is very ill.
There is a requirement for 40 additional weaps of the same nomenclature for a total requirement of 120. $18M in payment for the first 80 has been deposited in the appropriate account. No acft will land in Tabriz until the AMCITS have been delivered to the embassy. The Iranians have also asked to order additional items in the future and have been told that they will be considered after this activity has succeeded. All transfer arrangements have been made by Dick Secord, who deserves a medal for his extraordinary short notice efforts.

Replenishment arrangements are being made through the MOD purchasing office in NYC. There is, to say the least, considerable anxiety that we will somehow delay on their plan to purchase 120 of these weapons in the next few days. IAW your instructions I have told their agent that we will sell them 120 items at a price that they can meet. I have further told them that we will make no effort to move on their purchase LOA request until we have all five AMCITS safely delivered. In short, the pressure is on them.

Tomorrow we will dispatch a covert hostage debrief team to Wiesbaden, under cover of an exercise. [redacted] EUCOM will be told to prepare a C-141 for four-hour alert to pick up any hostages who may be released over the weekend. All of the parties above will be told that we have info (from the same source which advised us of Weir's release) that some, if not all, AMCIT hostages will be turned over [redacted] between now and Sunday.

As soon as we have the release confirmed, we need to move quickly with Defense to provide the 120 missiles the Israelis want to buy. They are very concerned that they are degrading their defense capability, and in view of the Syrian shoot-down yesterday the PM has placed considerable pressure on both Rabin and Rimche for very prompt replacement. Both called several times today.

There is the distinct possibility that at the end of the week we will have five Americans home and the promise of no future hostage takings in exchange for selling the Israelis 120 Hod HAWKs. Despite the difficulty of making all this fit inside a 96-hour window, it isn't that bad a deal -- [redacted] Warm regards.
Recommend pass to RCM after review. North.

J PRIVATE BLANK CHECK

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 11/20/85 21:34:39
To: NSJMP --CPUA

y
Pdxtr

*** Reply to note of 11/19/85 19:49

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: Central American Brief
This has been fixed. Charlie was not notified by the CIA legislative affairs d

EXHIBIT 43

PPGA 020

5 May 1987

(221)

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                                                                  8
MSG FROM: NSOLN   --CPUA     TO: NSJMP   --CPUA        11/21/85 09:10:36
To: NSJMP   --CPUA

*** Reply to note of 08/31/85 11:26

                                      -- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
UPDATE AS OF  0920:
Bob Oakley is calling                      in D.C. to ask them to call
their Embassy in Beirut                                  -- at least until
Sat a.m. before leaving Beirut.  Per Bob's request, I called Ray B.
and passed the same request to him, citing info from the same source__
which had forecast Weir's release.

The Kuwaitis advised Tony Quainton early this morning that under no
circumstances would they                   and asked why our position on this
issue had "weakened."  We have a cable going back noting that our President
had effectively supported our policy and the Kuwaitis' w/ the families
and that the Kuwaitis' could well benefit from a similar exchange w/

Dick Secord called very early to        to advise that the [redacted]
w/ whom we have been working, told Dick that the
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12091

the afor activity for Friday and that is aware and supportive. Dick notes that both these gentlemen got on an a/c a few minutes ago headed for Brussels. It is distinctly possible that either or both may mention this activity to some of our party while at the NATO convocation. We strongly urge that HCS approach [redacted]
in Brussels and simply express verbal "thanks for their assistance in the movement of the material from Israel [redacted] on Friday." It may also be useful to urge them to say nothing to anyone else on the matter.

5 May 1987

(222)

EXHIBIT 44

5 May 1987

222

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T[redacted]: NSJMP   --CPUA                    11/22/85 19:27:15

*** Reply to note of 08/31/85 12:26
                                  -- SECRET --
NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK
Status Report as of 1730:
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N 12092

[redacted]

Secord , [redacted] and the Charge continue to seek clearance for A/C from Israel which can land and proceed. Despite the difficulties of the past 24 hours, all continue to believe that if RCM can get thru to [redacted] that this can be done.

We continue to explore three options:

-- Charter a new A/C to pick up the cargo in Tel Aviv (TA) and deliver it to [redacted] for xfer to the three Chartered DC-8s for the flight to Tabriz (T).

-- Fly the 3 chartered A/C direct to TA, p/u the cargo, fly to [redacted] refile for T from [redacted]

-- Fly the three chartered A/C directly to TA, load cargo, proceed directly to T w/o filing until airborne and in [redacted] FIR.

All continue to believe (including Kimche) that option one is only realistic solution. Other options compromise origins and risk eventual uncovering of many operational details. Kimche urges that solution be found to matter this weekend to protect hostages and those who will deliver them.

UPDATE AS OF 1910:

RCM contacted [redacted] at 1730. [redacted] has agreed to have A/C fm TA land at [redacted] Dewey has arranged for a proprietary to work for Secord (Copp). Copp will charter two 707s in the name of LAKE Resources (our Swiss Co.) and have them p/u the cargo and deliver it to [redacted] at [redacted] the cargo will be xfered to the three Israeli chartered DC-8/55s for the flight to T. Though I am sure Copp suspects, he does not know that the 707s belong to a proprietary. Clarridge deserves a medal - - so does Copp.

Kimche (DK) has been told how screwed up his people are in planning something like this on such short notice. Not only was the 747 they planned to use a national airlines a/c, but they only had it chartered for 14hrs. We have now taken charge of that phase of the operation and are making direct contact [redacted] to ensure flight clearance for the three DC-8s chartered by DK's boys. If all goes as we now hope, the cargo will be in [redacted] by noon (local) and enroute to T shortly after dark. That means we can expect handovers (hopefully) Saturday night.

UPDATE AS OF 1900:
Unbelievable as it may seem, I have just talked to Schwimmer, in TA who advises that they have released their DC-8s in spite of my call to DK instructing that they be put on hold until we could iron out the clearance problem in [redacted] Schwimmer released them to save $ and now does not think that they can be re-chartered before Monday.

NOTE [redacted] TO WHITE HOUSE COMMUNICATIONS AGEN.

UPDATE AS OF 1920:
Advised Copp of lack of p/u A/C. He has advised that we can use one of our LAKE Resources A/C which was at [redacted] to p/u a load of ammo for UNO. He will have the a/c repainted tonight and put into service alt noon Sat so that we can at least get this thing moving. So help me I have never seen anything so screwed up in my life. Will meet w/ Calero tonite to advise that the ammo will be several days late in arriving. Too bad, this was to be our first direct flight to the resistance field at [redacted] inside Nicaragua. The ammo was already palletized w/ parachutes attached. Maybe we can do it on Weds or Thurs.
More as it becomes available. One hell of an operation.
  * <PRIVATE BLANK CHECK

[redacted]

[redacted] NSTNC --CPUA 11/21/85 10:12 ***

N 12093

EXHIBIT 45

FILE: NOTE [redacted] AQ WHITE HOUSE COMMUNICATIONS AGENCY PAGE 025

FINALLY, IF MY READING OF THE TEA LEAVES IS RIGHT, A QUICK TRIP TO CENTAM (INCLUDING A VERY BRIEF STOP IN EL SALVADOR - 2hrs) WOULD HAVE POSITIVE BENEFITS BOTH HERE IN THE STATES AND DOWN THERE SHORTLY AFTER YOU ARE CONFIRMED/ANNOUNCED. PLS ADVISE.

PRIVATE BLANK CHECK

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/04/85 02:02:55

To: NSJMP --CPUA

*** Reply to note of 00/11/85 13:26

-- SECRET --

NOTE FROM: OLIVER NORTH

Subject: PRIVATE BLANK CHECK

Subject: Current Status of Operation Recovery: Following summary is based on discussions in Geneva among Kimche, Copp, Gorbanifahr and [redacted] which were concluded this weekend, subsequent discussions with Ready Heron here in Washington which are continuing, and calls btwn Copp and Kimche's asset (Nimrodi) who is "baby sitting" the Iranians in Paris (where they are are receiving guidance from Tehran).

The attempted transfer [redacted] of 18 Hawk missiles went awry because the Iranians were in fact seeking a weapons system that would be capable of stopping Soviet reconnaissance flights along the Iranian/Soviet border and on the Iranian/Iraqi border. Gorba rptd that these flights occur regularly and as deep as 40nm inside Iranian airspace. Because Schwimmer and Ledeen were unfamiliar with the operational parameters of the HAWK, they agreed to ship 120 weapons that were totally inadequate to meet the rqmts established by the Iranians. This delivery has created an atmosphere of extraordinary distrust on the part of the Iranians; in Kimche's view, because the credibility of the Gorba[redacted] mission has probably been seriously called into question.

Despite this perception (Gorba said numerous times that this whole thing was a "cheating game" on the part of the Israelis), Copp & Kimche have been able to proceed with a renewed dialogue which still promises hope for achieving our three objectives:

-- support for a pragmatic - army oriented faction which could take over in a change of government
-- return of the five AMCIT hostages
-- no more terrorism directed against U.S. personnel or interests.

From these ongoing discussions, which in two cases included Iranian military officers, Copp and Kimche conclude that the military situation in Iran is desperate. The Iranian descriptions of the state of their equipment, lack of competent management, inability to use much of the remaining U.S. materiel portends the real possibility of a military collapse (at least by the Army) in the near to mid-term. Thus, there is considerable pressure on the interlocutors in Europe to produce - quickly.

Given the relatively low level of competence on the part of the Iranians in Europe, and the fact that any supplies delivered will undoubtedly have to be examined by an Army or Air Force officer, it is very doubtful that a "single transaction" arrangement can be worked out with the parties in Tehran, no matter what is agreed to in Europe. In short, they have been "scammed" so many times in the past that the attitude of distrust is very high on their part. At the same time, in all discussions (including today's phone calls) they are desperate to conclude some kind of arrangement in the next 10 days and have even asked that the meeting scheduled for Saturday in London be advanced. Based on what we can conclude from intelligence in Beirut, we believe that they are very concerned that the hostages (the only Iranian leverage point besides the Jews in Iran) may be killed or captured/released by the Syrians, Druze, Phalange or Amal in the near future. Waite's contacts with the captors seems to corroborate this assessment. In short, time is very short for all parties concerned.

Finally, there is the matter of the longer term strategy for what we should be attempting to accomplish vis a vis the Iran-Iraq war and a more reasonable government in Iran. From my personal discussions with Kimche and Nimrodi it is apparent the two Israelis want: the war to continue at a stalemate, a more moderate Iranian government in the end and will somehow find a way to continue getting their people (Jews) out of Iran through some kind of barter arrangement. In that the first two of their goals are, it would seem, generally congruent w/ our interests, and their last a fact of life, we should probably be seeing the return of the AMCIT hostages as a subsidiary benefit -- not the primary objective, though it may be a part of the necessary first steps in achieving the broader objectives. While Kimche, Nimrodi, Copp and I all agree that there is a high degree of risk in pursuing the course we have started, we are now so far down the road that stopping what has been started could have even more serious repercussions. We all view the next steps as "confidence building" on the part of both sides. None of us have any illusions about the cast of characters we are dealing with on the other side. They are a primitive, unsophisticated group who are extraordinarily distrustful of the West in general and the Israelis/U.S. in particular. They have not the slightest idea of what is going on in our government or how our system works. Today for example, Gorba called Copp in absolute confusion over the fact that Rafsanjani had just received a letter from (of all people) Sen. Helms regarding the American Hostages. Since the Iranians are adamant that they not be publicly connected with the seizure, holding or release of the AMCITs, why, Gorba wanted to know, was Helms being brought into this "solution to the puzzle." Gorba reiterated that "Batri ought to have more control over the members of his parliament" than to allow them to confuse an already difficult problem. Dick told him the letter had nothing to do with what we are about, but Gorba did not seem convinced that this wasn't some sort of effort to embarrass Iran.

Given this very unsophisticated view of things on their part and the distrust that the Iranians obviously feel, we believe that if we stop the current effort at this point and do not at least proceed with a "test" of the current relationship we:

-- run the risk of never being able to establish a "foothold" for the longer term goals in that the people we are dealing with will be totally discredited at home; and
-- incur the greater likelihood of reprisals against us for "leading them on." These reprisals could take the form of additional hostage seizures, execution of some/all of those now held, or both.

While the threat to carry out sanctions against us has not, to my knowledge, ever arisen (it certainly has not since Kimche/Copp/North have been directly engaged -- and Michael never mentioned it), it is interesting to note that when Copp questioned the bona fides of Gorba and his cohorts as capable of delivering on their end of the arrangement, Gorba carefully noted that since these discussions began w/ Michael & Schwimmer, there has not been a single Islamic Jihad bomb threat, hijacking or kidnapping -- and that there would be none if this "worked." D.R., Copp and I regard this to be at least one sign of confidence that this activity may yet prosper. There are some lesser indications of confidence in recent days:

-- in response to Copp's demand for funds to be deposited in advance to defray operational costs, and what the Iranians were told were "purchases on the arms market" a total of $41M has been deposited;
-- the 18 HAWKs delivered last week have been repackaged and are ready for return to origin on the next available flight;
-- the parties in Europe continue to stress that their requirements are long-term and that they are anxious to get on with a longer range program of Israeli originated support which would include technical assistance w/ sophisticated hardware which is critically needed but deadlined (in this regard Gorba at one point noted that at times they have as few as 50 operational tanks and less than a dozen flyable aircraft).

With all of the above as a lengthy preamble describing two nearly frantic weeks w/ the Israelis & Iranians, the following proposal has evolved which the Iranians today said they wd like to discuss in detail on Saturday:

-- The total "package" from the Israelis wd consist of 50 I HAWKs w/ PIP (product improvement package) and 3300 basic TOWs.
-- Deliveries wd commence on or about 12 December as follows:

H-hr: 1 707 w/300 TOWs = 1 AMCIT
H+10hrs: 1 707 (same A/C) w/300 TOWs = 1 AMCIT
H+16hrs: 1 747 w/50 HAWKs & 400 TOWs = 2 AMCITs
H+20hrs: 1 707 w/300 TOWs = 1 AMCIT
H+24hrs: 1 747 w/2000 TOWs = French Hostage

All involved on our side recognize that this does not meet one of the basic criteria established at the opening of this venture: a single transaction which wd be preceded by a release of the hostages. However, given the points above regarding the mutual distrust in the dialogue, we all believe it is about the only way we can get the overall process moving. Measures have been taken to reduce the chance for duplicity on the part of the Iranians and to preserve a measure of OPSEC in carrying out the transaction. In the case of a double cross, one of the Iranians will be in the hands of assets we control throughout. One of them [redacted] has already suffered a serious (though apparently not fatal) heart attack after last week's HAWK transaction failed to produce results. The first two deliveries, via 707 freighters are relatively small and if they do not produce the desired outcomes, all else stops. All 3 are now under our control.

OpSEC concerns are threefold: communications, deliveries enroute to Iran and replenishment of the Israeli stocks. To solve the first problem an OPs Code is now in use by all parties. This code is similar to the one used to oversee deliveries to the Nicaraguan Resistance and has never been compromised. The delivery/flight planning security problem has been solved by a much more deliberate selection of aircraft and aircrews as well as a series of transient airfields which can be used enroute to the field controlled by the Iranian Army at Tabriz. Appropriate arrangements have also been made to ensure that the overflight of [redacted] is not challenged. All A/C will be inspected by one of the Iranians at a transient location between Tel Aviv and Tabriz. Before the A/C actually crosses into Iranian airspace, the appropriate release(s) must occur. The last OPSEC concern, that of replenishing Israeli stocks, is probably the most delicate issue. The quantity of TOWs requested represents [redacted] Nir and I are working w/ the Israeli purchasing office in NYC to ensure that the replenishment can be accomplished quickly after December 12 as possible. All recognize that quantities [redacted] degrade Israeli readiness and that the items will need to be dispatched quickly in order to preclude disaffection and leaks. Nir has solved at least one of the problems in this regard by identifying a means of transferring the required cash to an IDF account which will allow cash (rather than FMS credit) purchases from the U.S.

In order to put this plan into action, Kimche, Copp, Schwimmer and Goode plan to meet in London on Saturday morning to review all arrangements. If we are satisfied that all our assets (money, aircraft, aircrews, transit facilities, overflight arrangements and military equipment) are prepared, Copp and Kimche will meet at another hotel with Gorba and [redacted] to finalize the plan. Our side will then reconvene later in the evening at our hotel to review any last minute changes. I wd then call you (using the Ops code), transmit the agreed upon arrangements for approval and, if you concur, Kimche & Copp will meet again w/ the Iranians on Sunday a.m. to express our agreement with the plan. Copp & Goode wd return to the U.S. Sunday p.m. on separate flights. On the 11th, the day before the plan is to be executed, Copp will establish a CP in [redacted] at the [redacted] controlled airfield [redacted] where he can monitor implementation and stop it at any point we desire. The secondary fields [redacted] will be covered by Copp controlled assets who are not witting of the true origin, destination or contents of the A/C but who can "fix" things in a hurry if something goes wrong. One of our other people will be in contact in [redacted] throughout.

[redacted]

Once in hand, the hostages will be flown [redacted] to Larnaca on our Navy RH-53 where they will be picked up by a EUCOM C-141 and flown to Wiesbaden for debriefing. 10hrs later Oakley will proceed from Andrews AFB to Wiesbaden with family members -- thus allowing an 20 uninterrupted hours for debriefing. The debrief team will be staged at Wiesbaden 12 hours in advance, just as we did two weeks ago without notoriety. Dewey is the only other person fully witting of this entire plan. Copp is not briefed on [redacted] - though he suspects. The Israelis are in the same position. Dewey and I have been through the whole concept twice looking for holes and can find little that can be done to improve it given the "trust factor" with the Iranians. In that all parties involved have great interest in keeping this as quiet as possible, [redacted] we beleive it to be worth the risk. I have not confided in Dewey re the longer term goals we could/should hope to achieve. Thus, the only parties fully aware of all dimensions of what we are about are you and RCM.

I have given careful consideration to what you suggested re an RCM meeting with the Iranians in an effort to obtain release of the hostages before starting on an effort to undo the present regime in Tehran. Like you and Bud, I find the idea of bartering over the lives of these poor men repugnant. Nonetheless, I believe that we are, at this point, barring unforeseen developments in London or Tel Aviv, too far along with the Iranians to risk turning back now. If we do not at least make one more try at this point, we stand a good chance of condemning some or all to death and a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying one last time are even greater.

UPRIVATE BLANK CHECK 8

[redacted] 65

T[redacted]

*[redacted]

[redacted]

CO[redacted] 8

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 12/05/85 20:04:00
To: NSJMP --CPUA

*** Reply to note of 08/11/85 13:26

EXHIBIT 45A

UNCLASSIFIED ~~TOP SECRET~~

11[illegible]

N 28746

NATIONAL SECURITY COUNCIL

December 9, 1985

MEMO FOR ROBERT C. MCFARLANE
JOHN M. POINDEXTER

FROM: OLIVER L. NORTH

Attached are our plans to date.

EYES ONLY

[illegible] 8 May 1987
under pro[illegible]
by B. [illegible] Security Council

598

UNCLASSIFIED ~~TOP SECRET~~

UNCLASSIFIED

~~TOP SECRET~~

December 9, 1985
N 28747

NEXT STEPS

The meetings this weekend with the Israelis and Gorbanifahr were inconclusive. Gorbanifahr refused to return to Geneva with our message that no further deliveries would be undertaken until all the hostages were released. Gorbanifahr and the Israelis both believe that if he were to pass such a message to the Iranian Prime Minister or [redacted] (who provides funds for items delivered) -- one or more of the hostages would be executed. Gorbanifahr noted that nine Hizballah leaders had been summoned to Tehran on Friday and that, given the pressures inside Lebanon, all it would take for the hostages to be killed would be for Tehran to "stop saying no."

Much of what we decide to do in the days ahead depends upon whether or not we can trust Gorbanifahr. The Israelis believe him to be genuine. Gorbanifahr's earlier game plan delivered Reverend Weir. He has proposed that we "deliver something" so that he can retain credibility with the regime in Tehran. He even suggested that the weapons delivered be useful only to the Army or Air Force (not the Revolutionary Guards) and that they be "technically disabled." He urged that, if improved HAWKs were not feasible, to at least keep the door open by some kind of delivery between now and the end of the week. He said we must recognize that if TOWs are provided that they will probably go to the Revolutionary Guards.

The Israelis have willingly consented to "kick-back" arrangement which allows Israeli control over Gorbanifahr and [redacted] Israel believes strongly in using any means to bridge into Iran. Their last three governments over a four year period have been consistent in this theme.

Whether we trust Gorbanifahr or not, he is irrefutably the deepest penetration we have yet achieved into the current Iranian Government. There is nothing in any [redacted] which contradicts what he has told us or the Israelis over the past several months. Much of our ability to influence the course of events in achieving a more moderate Iranian Government depends on the validity of what Gorbanifahr has told us -- and his credibility as one who can "deliver" on what the Iranians need. While it is possible that Gorbanifahr is doubling us or simply lining his own pockets, we have relatively little to lose in meeting his proposal; i.e., the Israelis start delivering TOWs and no hostages are recovered. On the other hand, a supply operation now could very well trigger results he claims.

~~TOP SECRET~~
~~Declassify: OADR~~

~~TOP SECRET~~

02[illegible]

Partially Declassified/Released on ________
under provisions of E.O. 12356
by B. Reger, National Security Council

The current situation is one in which information is incomplete, the motivation of the various participants uncertain, and our operational control tenuous in that we have had to deal exclusively through the Israelis. The near term risk to the hostages has undoubtedly been increased by Iranian "expectations" arising from earlier decisions to proceed with deliveries and by the increasing pressure against Hizballah in Lebanon. [redacted]

Our greatest liability throughout has been lack of operational control over transactions with Gorbanifahr. The Israeli contact, Schwimmer, has arranged deliveries of items which were not requested by Gorbanifahr for the Iranian military. Further, the terms which he negotiated are disadvantageous to the IDF and our ability to replenish the Israelis. It was apparent, during the meeting with McFarlane, that Gorbanifahr preferred to deliver only items useful to the Iranian military -- not the Revolutionary Guard. Despite admonishments to the contrary, Schwimmer had already arranged for the 3,300 TOWs as part of the next steps.

Schwimmer's arrangements would have exchanged the 3,300 TOWs for three hostages at a price which would not allow the IDF to recoup expenses, thus complicating our ability to replenish IDF stores. In short, most of the problems with this endeavor have arisen because we have been unable to exercise operational control over arrangements or their expected outcome. For example, at the meeting with McFarlane we learned for the first time that the Iranians want desperately to return the 18 basic HAWK missiles which are still in Tehran. All agree that we should only do so if the in-bound aircraft has something aboard which the Iranians want. At the end of the meeting it was agreed that we would "get back" to Gorbanifahr quickly as to our next steps. He departed for Geneva to brief [redacted] to the effect that "technical difficulties remain to be overcome before further deliveries can be scheduled."

The question which now must be asked is should we take a relatively small risk by allowing (encouraging) a small Israeli-originated delivery of TOWs and hope for the best or should we do nothing? If such a delivery were to take place, we would have to plan to replenish the Israeli stocks on a "routine" basis to avoid drawing attention.

If we are to prevent the death or more of the hostages in the near future, we appear to have four options available:

- Accept Gorbanifahr/Schwimmer's game plan:
  - -- Stretch and replenishment to Israel over several months making it routine.
  - -- 1,100 TOWs are maximum risk materielly. Cost and cover can be maintained by selling from stock to Israel over time.
  - -- If hostages are recovered disclosure doesn't hurt much.
- [redacted]
- Allow the Israelis to deliver 400-500 TOWs while picking up 18 HAWKs in effort to show good faith to both factions in Iran:
  - -- This could cause Iran to deliver a hostage as sign of cooperation. It will also serve to boost Gorbanifahr's reputation.
  - -- Israel could do this unilaterally and seek routine replacements.
  - -- This gives U.S. more breathing time (maybe!).
- Do nothing:
  - -- Very dangerous since U.S. has, in fact, pursued earlier Presidential decision to play along with Gorbanifahr's plan. U.S. reversal now in mid-stream could ignite Iranian fire -- hostages would be our minimum losses.

There is a fifth option which has not yet been discussed. We could, with an appropriate covert action Finding, commence deliveries ourselves, using Secord as our conduit to control Gorbanifahr and delivery operations. This proposal has considerable merit in that we will reduce our vulnerabilities in the replenishment of Israeli stocks and can provide items like the Improved HAWK (PIP II) which the Iranian Air Force wants and the Israelis do not have. Finally, Secord can arrange for third country nationals to conduct a survey of ground and air military requirements which is what Gorbanifahr has been attempting to obtain from the Israelis for nearly three months.

UNCLASSIFIED SECRET N 28750

~~TOP SECRET~~

December 5, 1985

SPECIAL PROJECT RE IRAN

Background: Several months ago, one of the agents engaged in shipping materiel to the Nicaraguan resistance noted the presence of U.S. military stocks in a [redacted] warehouse. Inquiries indicated that the military materiel was of Israeli origin being shipped by a private company for sale to Iran. When we approached a high-level Israeli official with this knowledge, we were advised that the GOI was not "technically violating" the U.S. ban on shipments to Iran in that the sales were being undertaken by a non-governmental entity [redacted] We were told that each aircraft that delivered arms to Iran, returned to Israel [redacted]

In discussing the matter with the Israelis, they indicated that their objectives in "permitting" this activity were threefold:

-- Use the arms sales to build the credibility of moderate elements in the Iranian army in hopes that they would become sufficiently powerful to establish a more reasonable government in Tehran.

-- Deliver sufficient military materiel to ensure that the Iranian military does not collapse under the pressure of an increasingly effective Iraqi military effort.

[redacted]

In early September, in order that we not take action to terminate the arms sales, the Israelis proposed that this process be used as leverage to recover the American citizens held hostage in Lebanon. It was decided to test the validity of this proposal and on September 14, the Israelis, using chartered aircraft, delivered 500 TOW missiles to Tabriz, Iran. Prior to commencing this operation, we committed to the Israelis that we would sell them replacements for the items they had sold and delivered to Iran. Two days later Reverend Benjamin Weir was released.

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~~Declassify: OADR~~

UNCLASSIFIED SECRET

02

UNCLASSIFIED N 26751

Current Situation: The Iranians have significant interest in continuing this process. They are under extraordinary military pressure from Iraq and are, by their own admission, subject to regular overflights of Iranian territory by Soviet aircraft. They currently have no capability to deal with this affront and find themselves in an increasingly desperate situation vis-a-vis Iraq. They have urged the Israelis, with whom they are in contact, to continue the process which resulted in the release of Benjamin Weir.

Our continuing efforts to achieve release of the hostages through diplomatic and other means have proven fruitless. There are numerous indications including reports from the special representative of the Archbishop of Canterbury, Terry Waite, that time is running out for the hostages. We are relatively confident of information that former Beirut Chief of Station, Bill Buckley is dead. [redacted]

The Iranians, who have been in contact with the Israelis, are cognizant of the pressure being placed on their Hizballah surrogates in Lebanon and that it is entirely likely that the only leverage they will have over us (the hostages) may no longer be available in the near future. These Iranians, the same that arranged the release of Weir, have now proposed that in exchange for an immediate delivery of 3,300 TOW missiles and 50 Improved HAWK Surface-to-Air missiles from Israel, they will guarantee:

-- The release of the five Americans and one of the French hostages still being held.

-- No further acts Shia fundamentalist terrorism (hijackings; bombings, kidnappings) directed against U.S. property or personnel.

There is considerable reason not to accept this proposal. It is contrary to our stated policy of not making concessions to terrorists or those who sponsor them. It is also possible that such an arrangement is a "double-cross" in that the Iranians can not or will not release the captives as agreed. Such an arrangement, bartering for the lives of innocent human beings, is repugnant. Finally, the quantities which the Iranians wish to purchase will significantly degrade Israeli stockpiles and require very prompt replenishment.

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U.S. Interests: Notwithstanding the undesirable nature of such a transaction, it must be noted that the first two Israeli objectives are congruent with our own interests:

-- A more moderate Iranian government is essential to stability in the Persian Gulf and MidEast.

-- Such a change of government in Iran is most likely to come about as a consequence of a credible military establishment which is able to withstand the Iraqi onslought and deter Soviet adventurism/intimidation. The Iranian army (not the Revolutionary Guards) must be capable of at least stalemating the war.

-- Shia fundamentalist terrorism is a serious threat to the United States which has long-term adverse consequences for our interests and we must endeavor to stop its spread.

-- The return of the American hostages will relieve a major domestic and international liability -- in addition to its obvious humanitarian aspect.

The first three of these goals may well be achievable -- and the fourth accrued as a subsidiary benefit -- by commencing the process of allowing the Israeli sales as proposed by the Iranian agents in Europe. It is unlikely, however, that we can proceed further toward the first three -- and not at all on the hostage release unless we allow the process of delivery to begin.

Discussions toward this end have been proceeding among the Israelis, Iranians and a U.S. businessman acting privately on behalf of the USG for nearly three weeks. There are several indications of confidence that an arrangement can be consummated in the next 10 days which would result in the release of the hostages and commencement of a process leading toward the first three objectives above. The military situation in the Iran/Iraq war and the increasing pressure on the Hizballah in Lebanon both point toward immediate action. There is also, as the Iranian intermediaries pointedly noted last week, a complete absence of any Shia fundamentalist hijackings, assassinations, hostage seizures, or bombings since this dialogue began in September. While there have not been expressed or implied threats by the Iranians in these discussions, the Israeli and U.S. private citizen participants believe that if the current effort is not at least tried, we run the risk of abandoning both the longer term goals and the likelihood of reprisals against us for "leading them on." These reprisals would probably take the form of additional hostage seizures, execution of some/all those now held, or both.

Next Steps: The Iranians, the Israelis, and our U.S. businessman plan to meet in London on Saturday, December 6 to discuss whether or not to proceed with the sale of the TOWs and HAWKs. The Israeli government has informally told us that if they can be assured of "prompt" resupply, they will sell the quantities requested from their prepositioned war reserve. 3,300 TOWs represents approximately half their available supplies.

The U.S. businessman has arranged for the charter of two non-U.S. registered aircraft for use in the deliveries. The total delivery would be conducted in 5 flights from Tel Aviv to Tabriz, Iran via interim airfields in Europe prior [redacted] Each delivery is to result in the release of a specified number of hostages. Arrangements for the interim airfields, overflight rights, and flight plans have been made, some with the help of the CIA. A communications code to preserve operational security is available for use by all parties. All aircraft would be inspected by an Iranian at one of the transient locations between Tel Aviv and Tabriz. The entire evolution is designed to be completed in a 24 hour period. It can be stopped at any point if the Iranians fail to deliver.

The greatest operational security concern is that of replenishing Israeli stocks. The Israelis have identified a means of transferring the Iranian provided funds to an Israeli Defense Force (IDF) account, which will be used for purchasing items not necessarily covered by FMS. They will have to purchase the replenishment items from the U.S. in FMS transaction from U.S. stocks. Both the number of weapons and the size of the cash transfer could draw attention. If a single transaction is more than $14.9 M, we would normally have to notify Congress. The Israelis are prepared to justify the large quantity and urgency based on damage caused to the equipment in storage.

[redacted]

If this process achieves the release of the hostages and proves the credibility of the Iranian contacts in Europe, Bud McFarlane would then step in to supervise achieving the longer range goals. Additional meetings with the Iranians would be arranged to further our objectives without requiring such large scale sales/deliveries by the Israelis.

Approval is now required for us to take the next steps on Saturday. After carefully considering the liabilities inherent in this plan, it would appear that we must make one last try or we will risk condemning some or all of the hostages to death and undergoing a renewed wave of Islamic Jihad terrorism. While the risks of proceeding are significant, the risks of not trying are even greater.

EXHIBIT 45B

FILE: NOTE [redacted] AO WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE 030

N 12112

$10,000 per TOW available and that Gorba probably lied to Schwimmer and that Schwimmer probably lied to Nir as to how many there was available. Nir is fully prepared to proceed any way we wish but noted that time is rapidly running out. [redacted]

PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 01/15/86 10:37:07
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Nir just called again. He has advised that he believes the GOI is about to formally withdraw its offer to assist on this matter so that it cannot be blamed when the AMCITS are killed. I asked him about the rumor that one had already been killed. He replied that it was probably another of the Jews since they (Hizballah) will undoubtedly kill the Jews first to make their point.

I then asked Nir to reconfirm, the requirements as he understood them. He said that the Iranians want 3000 TOWs, 25 Moslems released by Lahad and the AMCITs and any surviving Jews wd be released along w/ the Brit if they (the IRG) can still find him.

The Israelis are very very concerned that they cannot make a delivery of 1000 TOWs w/o a promise to replenish. Nir points out that he is operating in an environment which is very hostile since the USG never made good on its promise to promptly replenish the original 500 TOWs that they shipped in September and that if we had but sent those TOWs as promised it might have been possible to take the further risk of another 1000.

IAW instructions have invited Sec W'bgr to mtg w/ Casey in yr ofc at 1700 on Thursday. It is my sense that by that time we will have a msg fm the GOI that they are withdrawing their offer. Is it possible to arrange a secure conference call tonight to see if we can make this work? V/R North

PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 01/15/86 22:39:26
To: NSJMP --CPUA

*** Reply to note of 08/31/85 13:26

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Per instructions, I called RCM Re understandings on the original 500 TOWs shipped by Israel to Iran. As I understand it, there was a USG commitment to SELL, over time, replacements to the Israelis for what they sent for Weir. We DO, according to RCM have a commitment to make this SALE. We did NOT have any agreement on prices or ultimate dates, though it was understood by both sides that the transaction wd be concluded promptly.

As I understand the current problem w/ the purchase of the 500:

-- The Israelis received funds adequate to purchase only the [redacted] TOW. Whether this is because Schwimmer pocketed the rest or whether there was a kick-back to [redacted] neither Nir nor I know. Gorba told me that he had paid $10000 apiece for these weaps and

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7 May 1987

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under provisions of E.O. 12356
by T. Reger, National Security Council

pocketed $500 for each one delivered.

-- When the Israeli purchasing office in NYC, following their normal procedures, made inquiries w/ the Army Materiel Command (AMC) on the availability and price of basic TOWs, the AMC immediately began to question why the IDF wanted to revert to the basic model which was no longer in production and the IDF has already begun purchases of the I TOW for their inventory upgrade. AMC noted that there was an "understanding" with the Mfgr not to compete w/ the production line by selling the older weaps fm army stocks and that selling fm Army stocks wd be the only source available for the basic TOW. At this point, the purchasing office terminated the inquiry since they believed that the purchase wd raise so many questions that it wd leak and complicate further action which, by then, was in the planning stages. The Israelis have made no further effort to purchase the basic TOWs but have been told in an unsolicited call from AMC that the basic model wd have to be the same price as the I TOW so that the AMC can recover replacement costs.

-- Nir continues to be apprehensive about going back in to ask his people to ship w/o some kind of guarantee of replenishment whether or not it succeeds in getting the hostages out. He is going to get back to me at 0300 EST re results of his meeting w/ the P.M. I passed yr msg verbatim He laughed and noted to include that the IDF would have even greater impetus if the hostages were killed rather than released, then there are some who have argued against proceeding on this tack any further since it jeopardizes Israel w/ no promise of return.

At this point I believe that we could proceed along the following lines. Nir goes directly to Gorba (cutting out Schwimmer and gets $10M for 1000 basic TOWs. He then sends 1000 basic TOWs fm Israeli stocks to Iran. Hopefully the hostages are then released. He gives Secord whatever the FMS price is for 500 TOWs from the $10M (should be about $2.0M). Secord then buys and ships 500 TOWs to Israel as replacement for the first exchange (Weir). This process wd at least provide the IDF w/ one third of what they had withdrawn from inventory. It is important to note that in my last discussion with Nir (he doesn't sleep either) he is very concerned about credibility all around. He noted that before they shipped the first 500, they had what they believed to be an ironclad promise to allow them to buy replacements but that all along the way there have been obstacles. He has confided that part of the pressure is indeed political in that he is concerned about a leak inside the cabinet from someone who is disaffected over the drawdown of stocks, but if we wanted him to push for it he could. I believe that Nir himself is both so exhausted and in such jeopardy of losing his job over this that he may no longer be functional. I do not believe that Nir is lying to us. I do believe he is sincerely concerned about the outcome and wants to do what he can — for both Israel and the US. He has promptly agreed to every proposal we have made to date except the final one of shipping 1000 TOWs w/o promise of replenishment. He will be back to us. Will advise.

PRIVATE BLANK CHECK
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 01/16/86 13:39:56
To: NSJMP --CPUA

*** Reply to note of 01/16/86 09:27

UNCLASSIFIED

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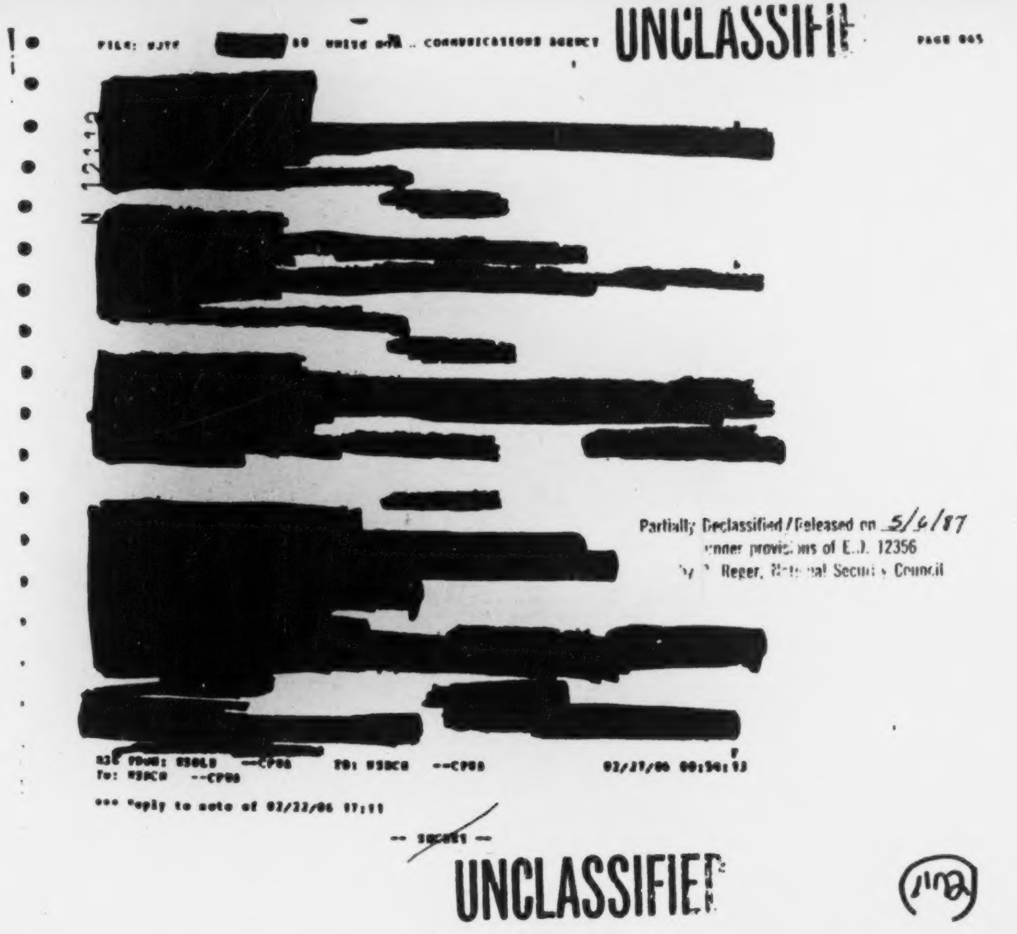
EXHIBIT 45C



FILE: WJTF [redacted] 86 WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE 005

N 12112

[redacted]

Partially Declassified/Released on 5/6/87
under provisions of E.O. 12356
by ? Reger, National Security Council

NSC FROM: NSOLN --CPUA TO: NSJMP --CPUA 02/27/86 00:54:13
To: NSJMP --CPUA

*** Reply to note of 02/22/86 17:11

-- ~~SECRET~~ --

UNCLASSIFIED

1112

FILE: NOTE [redacted] 40 NSC COMMUNICATIONS AGENCY **UNCLASSIFIED** PAGE

N 12120

NOTE FROM: OLIVER NORTH
Subject: How are things?
✓ Just returned last night from mtg w/ in Frankfurt. If nothing else the meeting serves to emphasize the need for direct contact with these people rather than continue the process by which we deal through intermediaries like Gorbanifahr. Because CIA wd not provide a translator for the session, we used Albert Hakim, an AMCIT who runs the European operation for our Nicaraguan resistance support activity. [redacted] accompanied so that I wd have someone along who wd provide an "objective" account.

Throughout the session, Gorbanifahr intentionally distorted much of the translation and had to be corrected by our man on occasions so numerous that Finally had Albert translate both ways. Assessment of mtg & agreement as reached as follows: has authority to make his own decisions on matters of great import. --He does not have to check back w/ Tehran on decisions take. --The govt. of Iran is terrified of a new Soviet threat. --They are seeking a rapprochement but are filled w/ fear & distrust. --All hostages will be released during rpt during the next meeting. --They want next mtg urgently and have suggested Qeshm Is. off Bandar Abbas. --They are less interested in Iran/Iraq war than we originally believed. --They want technical advice more than arms or intelligence. --Tech advice shd be on commercial & military maintenance - not oil tactics --They committed to end anti-U.S. terrorism. --They noted the problems of working thru intermediaries & prefer dir. contact /noted that this was first USG/GOI contact in more than 5yrs. ✓ important recognizes risks to both sides — noted need for secrecy. ✓ Stressed that there were new Sov. moves/threats that we were unaware of. While all of this could be so much smoke, I believe that we may well be on the verge of a major breakthrough - not only on the hostages/terrorism but on the relationship as a whole. We need only to go to this meeting which has no agenda other than to listen to each other to release the hostages and start the process. Have briefed both JMP and Casey — neither very enthusiastic despite North summary along lines above. Believe that you shd be authorized to go early next wk - or maybe this weekend - but don't know how to make this happen. Have not told JMP that this note is being sent. Help. Pls call on secure at earliest convenience. Warm, but fatigued regards, North

3 How are things?
NSO FROM: NSOLN --CPUA TO: NSWRP --CPUA 02/27/86 20:11:51
To: NSWRP --CPUA

*** Reply to note of 02/27/86 16:02

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: Exchanges
✓ Since the mission of this morning, met w/ Casey, JMP, [redacted] Clair George and all have now agreed to press on. Believe we are indeed headed in the right direction. Just finished lengthy session w/ JMP he indicated that he has passed substance to you and has given us dates that you are not avail.

Will endeavor to sched. mtg so that these do not conflict but noted to JMP that it was their call as to date of mtg. Just rec'd msg fm Gorba via secure device we are using, has again reaffirmed that once we have set a date we shall have a very pleasant surprise. Dick & I believe that they may be preparing to release one of the hostages early. Dick also indicated that yr counterpart at the mtg wd be Rafsanjani. Nice crowd you run with! God willing

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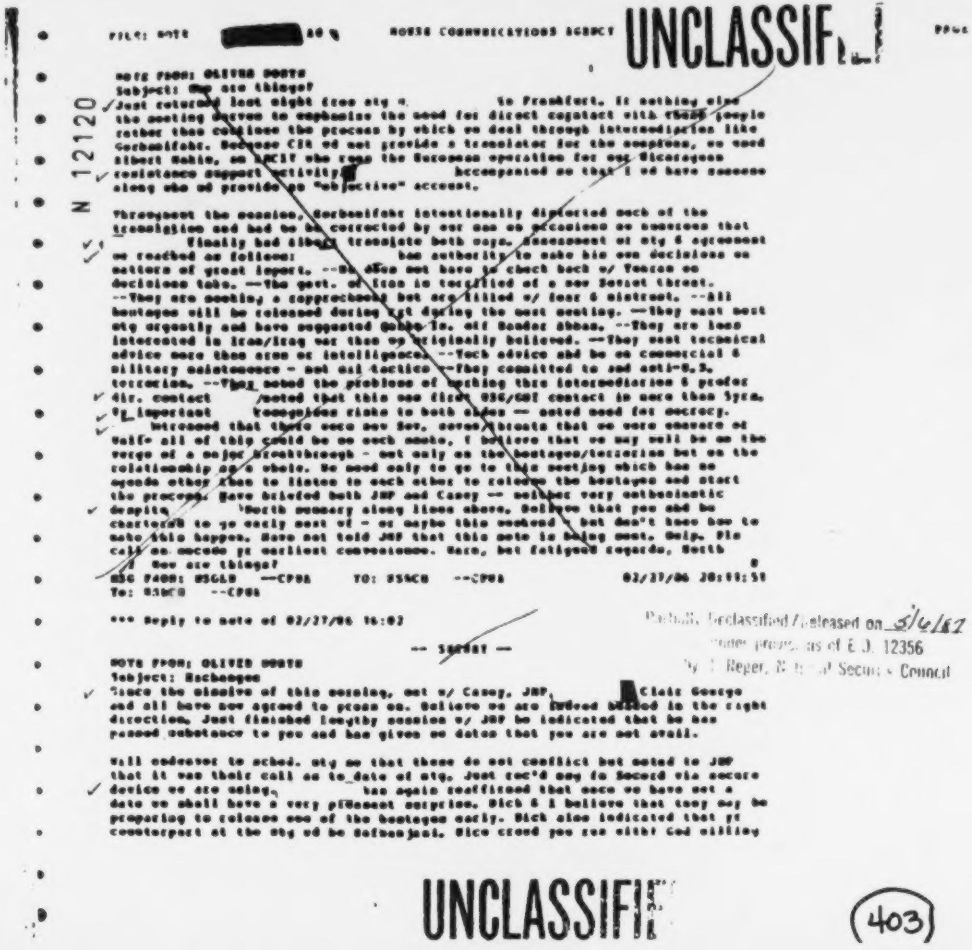
under provisions of E.O. 12356
by J. Reger, National Security Council

UNCLASSIFIED

(403)

EXHIBIT 45D



FILE: NOTE [redacted] 40 % HOUSE COMMUNICATIONS AGENCY **UNCLASSIFIED** PAGE

N 12120

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How are things?
MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 02/27/86 20:11:51
To: NSJMP --CPUA

*** Reply to note of 02/27/86 16:02

-- SECRET --

Partially Declassified/Released on 5/6/87
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by J. Reger, National Security Council

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UNCLASSIFIED

(403)

FILE: NOTE [redacted] [illegible] [redacted] [illegible] UNCLASSIFIED

Shultz will buy onto this tomorrow when JMP briefs him. With the grace of the good Lord and a little more hard work we will very soon have five AMCITS home and be on our way to a much more positive relationship than one which [illegible] for lives.

N 12121

I value our friendship and confidence very highly and did not mean to infer that you had revealed those exchanges. By asking that you not indicate same to JMP I was only inferring that I had not told him anything of it so as not to compromise myself at a point in time when he needs to be absolutely certain that this can work. He is, as only you can know, under tremendous pressure on this matter and very concerned that it go according to plan. My part in this was easy compared to him. I only had to deal with our opposition. He has to deal with
the cabinet. Many thanks for yr trust. Warm regards, North
Exchanges

NSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 02/27/86 20:22:22
To: NSJMP --CPUA

*** Reply to note of 02/27/86 16:02

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: How are things?
Am reading things out of sequence due to fatigue. Many thanks for yr note. Have responded to most of this in my reply to exchanges - before I read this one. Yr concerns re [illegible] are shared here. WILCO on the passing of info. He seems well but poses a significant problem. Dick says he has info that [illegible] has a financial relationship w/ Gorba, Nimrodi and perhaps Schwimmer. If true, this is not good. We also know 'that Gorba tells [illegible] everything and that is an additional reason to get Gorba out of the long range picture ASAP. We will still need to have him involved in the TOWs transactions since he manages the financial end for the Iranians in Europe. We ought to sit quietly and think about how we handle [illegible] so that he does not start talking out of disgruntlement (if that's a word). Have asked JMP for a session w/ you and Dick Secord as soon as possible after Dick returns tomorrow night to see where he is getting up an arms delivery for the Nic resistance. A man of many talents ol' Secord is. Must be off. Am supposed to make a speech on aiding the Nic resistance to a group of contributors. Best regards. North
How are things?

[redacted]

[redacted]

-- SECRET --

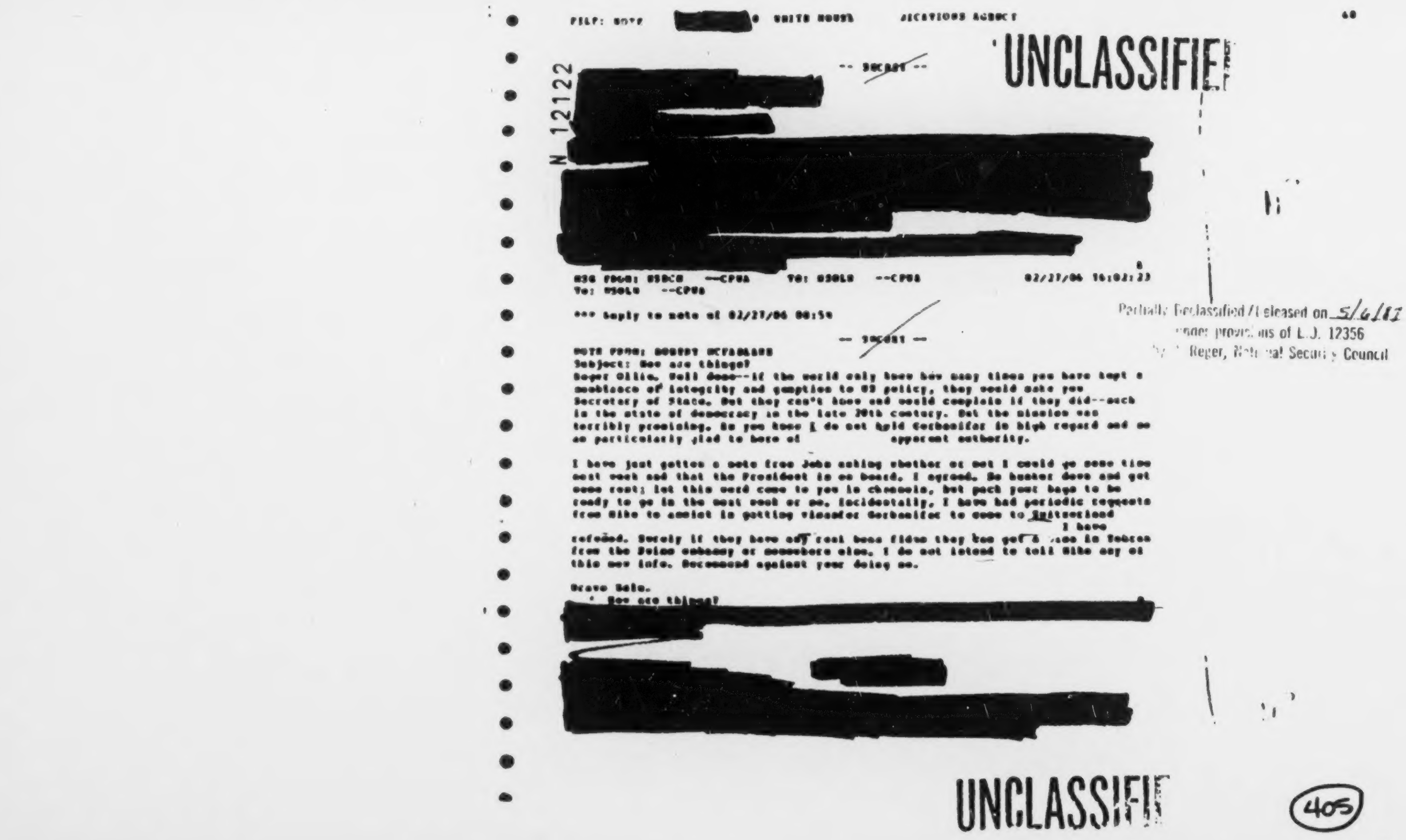
[redacted]

Partially Declassified/Released on 5/6/87
under provisions of E.O. 12356
by J. Reger, National Security Council

UNCLASSIFIED

404

EXHIBIT 45E



FILE: NOTE [redacted] WHITE HOUSE ICATIONS AGENCY 48

UNCLASSIFIED

~~-- SECRET --~~

N 12122

[redacted]

MSG FROM: NSRCM --CPUA TO: NSOLN --CPUA 02/27/86 16:02:23
To: NSOLN --CPUA

*** Reply to note of 02/27/86 08:59

~~-- SECRET --~~

NOTE FROM: ROBERT MCFARLANE
Subject: How are things?
Roger Ollie. Well done--if the world only knew how many times you have kept a semblance of integrity and gumption to US policy, they would make you Secretary of State. But they can't know and would complain if they did--such is the state of democracy in the late 20th century. But the mission was terribly promising. As you know I do not hold Gorbanifar in high regard and so am particularly glad to hear of apparent authority.

I have just gotten a note from John asking whether or not I could go some time next week and that the President is on board. I agreed. So hunker down and get some rest; let this word come to you in channels, but pack your bags to be ready to go in the next week or so. Incidentally, I have had periodic requests from Mike to assist in getting visas for Gorbanifar to come to Switzerland I have refused. Surely if they have any real bona fides they can get a visa in Tehran from the Swiss embassy or somewhere else. I do not intend to tell Mike any of this new info. Recommend against your doing so.

Bravo Zulu.
* How are things?

[redacted]

[redacted]

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by [illegible] Reger, National Security Council

UNCLASSIFIED

405

EXHIBIT 45F

FILE: NOTE [redacted] WRITE AB / COMMUNICATIONS SCRN: UNCLASSIFIED PAGE 047

Shultz will buy onto this tomorrow when JMP brief him. With the grace of the good Lord and a little more hard work we will very soon have five AMCITS home and be on our way to a much more positive relationship than one which [illegible] for lives.

I value our friendship and confidence very highly and did not mean to infer that you had revealed these exchanges. By asking that you not indicate same to JMP I was only informing that I had not told him anything of it so as not to compromise myself at a point in time when he needs to be absolutely certain that this can work. He is, as only you can know, under tremendous pressure on this matter and very concerned that it go according to plan. My part in this was easy compared to him. I only had to deal with our operation. He has to deal with the cabinet. Many thanks for yr trust. Warm regards, North

Exchanges

N 12121

MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 02/27/86 20:22:22
To: NSRCM --CPUA

*** Reply to note of 02/27/86 16:02

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by [illegible] Reger, National Security Council

~~-- SECRET --~~

NOTE FROM: OLIVER NORTH
Subject: How are things?
Am reading things out of sequence due to fatigue. Many thanks for yr note. Have responded to most of this in my reply re exchanges - before I read this one. Yr concerns re Mike are shared here. WILCO re the passing of info. We sense well but poses a significant problem. Clr says he has info that Mike has a financial relationship w/ Gorba, Nimrodi and perhaps Schwimmer. If true, this is not good. We also know that Gorba tells Mike everything and that is an additional reason to get Gorba out of the long range picture ASAP. We will still need to have him involved in the TOW transactions since he manages the financial end for the Iranians in Europe. We ought to sit quietly and think about how we handle Mike so that he does not start talking out of disgruntlement (if that's a word). Have asked JMP for a session w/ you and Dick Secord as soon as possible after Dick returns tomorrow night fm Bur where he is setting up an arms delivery for the Nic resistance. A man of many talents ol' Secord is. Must be off. Am supposed to make a speech on aiding the Nic resistance to a group of supporters. Best regards, North

How are things?

[redacted]

-- SECRET --

[redacted]

UNCLASSIFIED

(1124)

EXHIBIT 45G

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE 0??

N 12126

Finally, on a new subject: wd very much like to have a one-on-one w/ you in the next few days if at all possible. I have been advised by HQMC that they have cut orders for me to go to 2d MARDIV this summer. This is a situation (like so many others) fraught w/ opportunity and risk. I, quite frankly don't know what to do about the situation, but will have to take some kind of action in the next few weeks. Wd very much appreciate yr good counsel on the merits/liabilities of such an assignment and advice on how to proceed. Warm regards and many thanks to both you and Jonny for the beautiful flowers.

How's It Going?
MSG FROM: NSRCM --CPUA TO: NSOLN --CPUA 03/10/86 09:09:40
To: NSOLN --CPUA

*** Reply to note of 03/10/86 08:50

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
Subject: How's It Going?
Roger; many thanks.
 - How's It Going?
MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 03/11/86 07:23:30
To: NSRCM --CPUA

*** Reply to note of 03/10/86 22:10

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: How's It Going?
My gut response on yr scenario re North's personal situation is that I like it. There is a question as to how to make it all happen, but it wd be good to disc. w/ you 0800 Friday. Have blocked same on my sched. Looking forward to it. In re the Gorba prob: He is aware of the high qty and is basically carrying our water on the qty since he is still the only access we have to the Iranian political leadership. It wd be useful, I believe, for you to talk w/ George Cave, the Agency's Iran expert. He shares our concern that we may be dealing only w/ those who have an interest in arms sales and their own personal financial gain and believes the "Americans are coming" approach is about the only way to broaden the perspective. We wd do well to explore other contacts if they can be opened. George is going to see what we have on this so that we can assess whether or not it wd be useful to make such an approach. He advises that if we were able to get to w/ this message we might be able to make some headway. Will advise. If you wd like to meet w/ George, pls let me know and I will arrange. Warm regards. North BT

How's It Going?
MSG FROM: NSRCM --CPUA TO: NSOLN --CPUA 03/10/86 22:10:20
To: NSOLN --CPUA

*** Reply to note of 03/10/86 21:10

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
Subject: How's It Going?
Roger Ollie. I guess I'm a little puzzled about the Iranian wiring diagram.

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under provisions of E.O. 12356
by N. Reger, National Security Council

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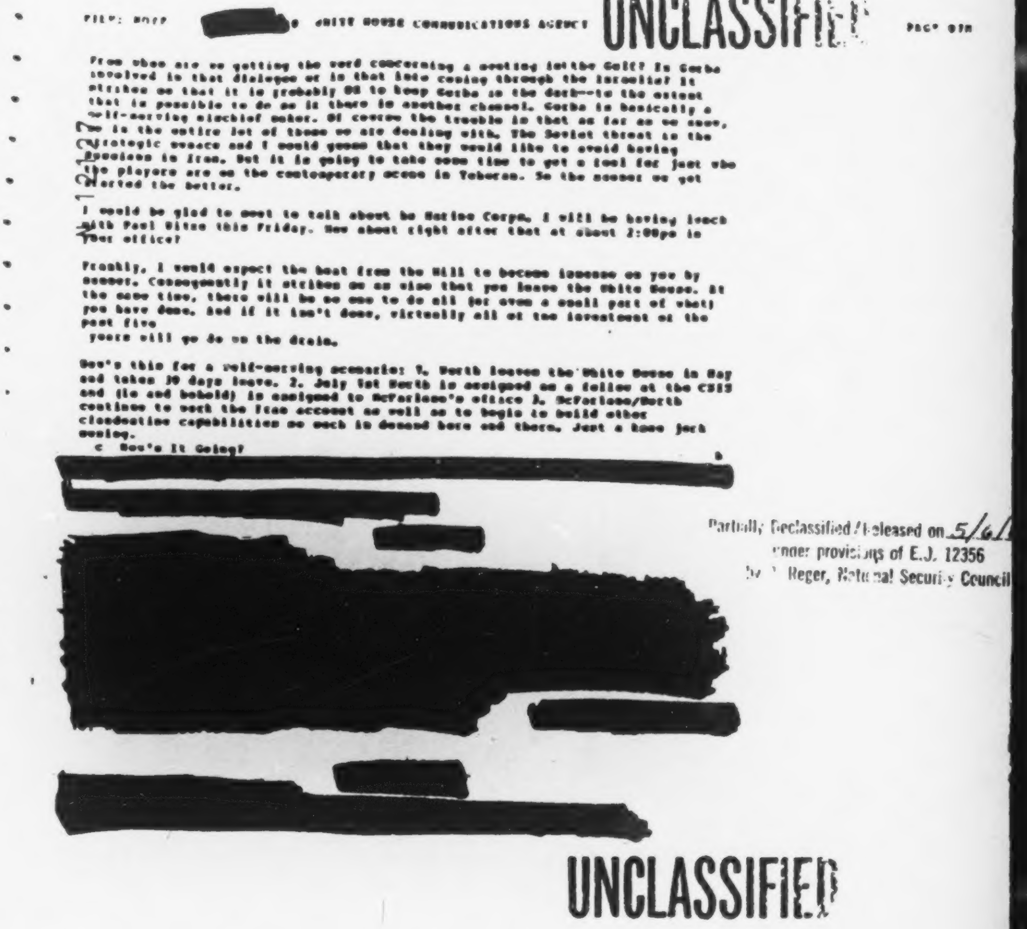
EXHIBIT 45F



FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY UNCLASSIFIED PAGE [illegible]

From whom are we getting the word concerning a meeting inthe Gulf? Is Gorba involved in that dialogue or is that info coming through the Israelis? It strikes me that it is probably OK to keep Gorba in the dark--to the extent that is possible to do so is there is another channel. Gorba is basically a self-serving mischief maker. Of course the trouble is that as far as we know, so is the entire lot of those we are dealing with. The Soviet threat is the strategic menace and I would guess that they would like to avoid having Russians in Iran. But it is going to take some time to get a feel for just who the players are on the contemporary scene in Teheran. So the sooner we get started the better.

I would be glad to meet to talk about he Marine Corps. I will be having lunch with Paul Nitze this Friday. How about right after that at about 2:00pm in your office?

Frankly, I would expect the heat from the Hill to become immense on you by summer. Consequently it strikes me as wise that you leave the White House. At the same time, there will be no one to do all (or even a small part of what) you have done. And if it isn't done, virtually all of the investment of the past five
 years will go do wn the drain.

How's this for a self-serving scenario: 1. North leaves the White House in May and takes 30 days leave. 2. July 1st North is assigned as a fellow at the CSIS and (lo and behold) is assigned to McFarlane's office 3. McFarlane/North continue to work the Iran account as well as to begin to build other clandestine capabilities so much in demand here and there. Just a knee jerk musing.

  c How's It Going?

[redacted]

[redacted]

N 12127

74-113 0198

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by [illegible] Reger, National Security Council

UNCLASSIFIED

EXHIBIT 45H

UNCLASSIFIED

N 12129

-- ~~SECRET~~ --

[redacted]

03/24/86 20:46:14

[redacted]

[redacted]

[redacted]

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 03/26/86 08:31:29
To: NSJMP --CPUA

*** Reply to note of 03/22/86 13:29

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject:
Yes, Oakley is aware of all but Hugo action. On the issue: the proposal to dispatch is still under review by the OSG. At Monday's mtg we decided to have and CIA present a final proposal to the OSG at next week's mtg and that a final recommendation wd come fwd after the mtg

MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 03/26/86 09:19:12
To: NSRCM --CPUA

*** Reply to note of 03/20/86 23:00

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: Anything New??
After the House vote on aid to the resistance, I plan to take a few days just to get re-acquainted w/ the family. Meanwhile, we are trying to find a way to get 10 BLOWPIPE launchers and 20 missiles thru the Short Bros. Rep. The V.P. from Short Bros. sought me out several mos. ago and I met w/ him again a few weeks ago when I was there. Short Bros., the mfgr. of the BLOWPIPE, is willing to arrange the deal, conduct the training and even send U.K. "tech reps" fwd if we can close the arrangement. Dick Secord has already paid 10% down on the delivery and we have a EUC which is acceptable to the Unfortunately, the week all this was going to closure we decided to go fwd [redacted]
The arrangement is now on ice and we are casting about for a way to tell the that we wd be pleased if this all went thru. Yr thoughts wd be appreciated.

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[redacted] [illegible] UNCLASSIFIED PAGE [illegible]

N 12130

On our other action, there are fresh developments. Yesterday, called the phone drop that Dick Secord had given him, Al Hakim, who we assume all as a "White House interpreter" at the Frankfurt mtg. spoke to twice yesterday. The bottom line of the calls is that as [illegible] here as most of the Iranian side must meet at Kharg Island. Supposedly, during the mtg the hostages wd be released and we wd immediately start delivering the [illegible] TOWs and agree at the mtg to the delivery of spare parts which they desperately need. They profess to be very concerned about the nature of the Soviet threat and want all we can give them on that score. Not sure at this point how real this offer is, but he says Rafsanjani wd come as the head of the Iranian side. If this looks like a go -- and we shd know once tomorrow when the next phone call is scheduled--how are you for travel during the week of 31Mar-4Apr? Warm regards, North BT

* Anything New?

[redacted]

[redacted]

[redacted]

[redacted]

ND

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

...ased on 5/6/87
... E.O. 12356
... National Security Council

UNCLASSIFIED

(413)

EXHIBIT 451

FILE: [redacted] BY: NSC COMMUNICATIONS BUBBLE

UNCLASSIFIED

-- ~~SECRET~~ --

N 12132

[redacted]

2P

MSG FROM: NSJMP --CPUA TO: NSOLN --CPUA 04/03/86 12:57:05
To: NSOLN --CPUA OLLIE NORTH

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
SUBJECT: IRAN
IF WE CAN MANAGE IT, THE VP WOULD APPRECIATE IT IF THE IRAN TRIP DID NOT TAKE PLACE UNTIL HE LEAVES SAUDI ARABIA. IF THAT SCREWS UP PLANNING TOO MUCH, THEN WE WILL UNDERSTAND THAT WE CAN'T DO IT.
T 1040
MSG FROM: NSRCM --CPUA TO: NSOLN --CPUA 04/04/86 23:17:00
To: NSOLN --CPUA

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Odds and Ends

I've been thinking about the blowpipe problem and the Contras.

How are you coming on the loose ends for the material transfer? Anything I can do? If for any reason, you need some mortars or other artillery--which I doubt--please let me know.
Odds and Ends

[redacted]

-- ~~SECRET~~ --

[redacted]

2P

[redacted]

[redacted]

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EXHIBIT 46

UNCLASSIFIED

MSG FROM: NSOLN --CPUA TO: NSRCM --CPUA 04/21/86 20:55:39
To: NSRCM --CPUA

*** Reply to note of 04/20/86 15:07

1,,2,36

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: Any guesses!
Have sent a long PROFS to JMP re the current state of affairs. If you do not have it in the morning pls so advise and I will repeat to you if that can be done w/o the whole world seeing it. Bottom line: earliest we could make trip, if all went well tomorrow is 30 April. This date will slip a day for each day of delay in making the requisite deposit for the items requested. I am not as hopeful in wake of Libyan action. Cave believes that there is a significant internal debate going on inside as to what they should do and we are all concerned that there may be a chance that could help the [redacted] get their hands on the other hostages. Not a good day.

Also not a good weekend. Went to Centra to try and reassure our friends — both govts. and resistance that we WOULD get funding thru the Congress. In the four years I have been working this effort, it was the most depressing session to date. There is great despair that we may fail in this effort and the resistance support acct. is darned near broke. Any thoughts where we can put our hands on a quick $3-5M? Casey is going back to his friends who have given $2M so far in hopes that we can bridge things again, but time is running out along w/ the money. So far we have seven a/c working, have delivered over $17M in supplies and ordnance but the pot is almost empty. Have told Dick to prepare to sell the ship first and then the a/c as a means of sustaining the effort. Where we go after that is a very big question. How about Bush? As you know I have never asked him for help in this regard, believing that he wd be inclined to talk about it. It may now be time to take that risk. Any thoughts? Warm regards & our love to Jonny. (We noticed that it was in the STYLE section - it was a fight fine photo) Keep the faith, North
Any guesses?

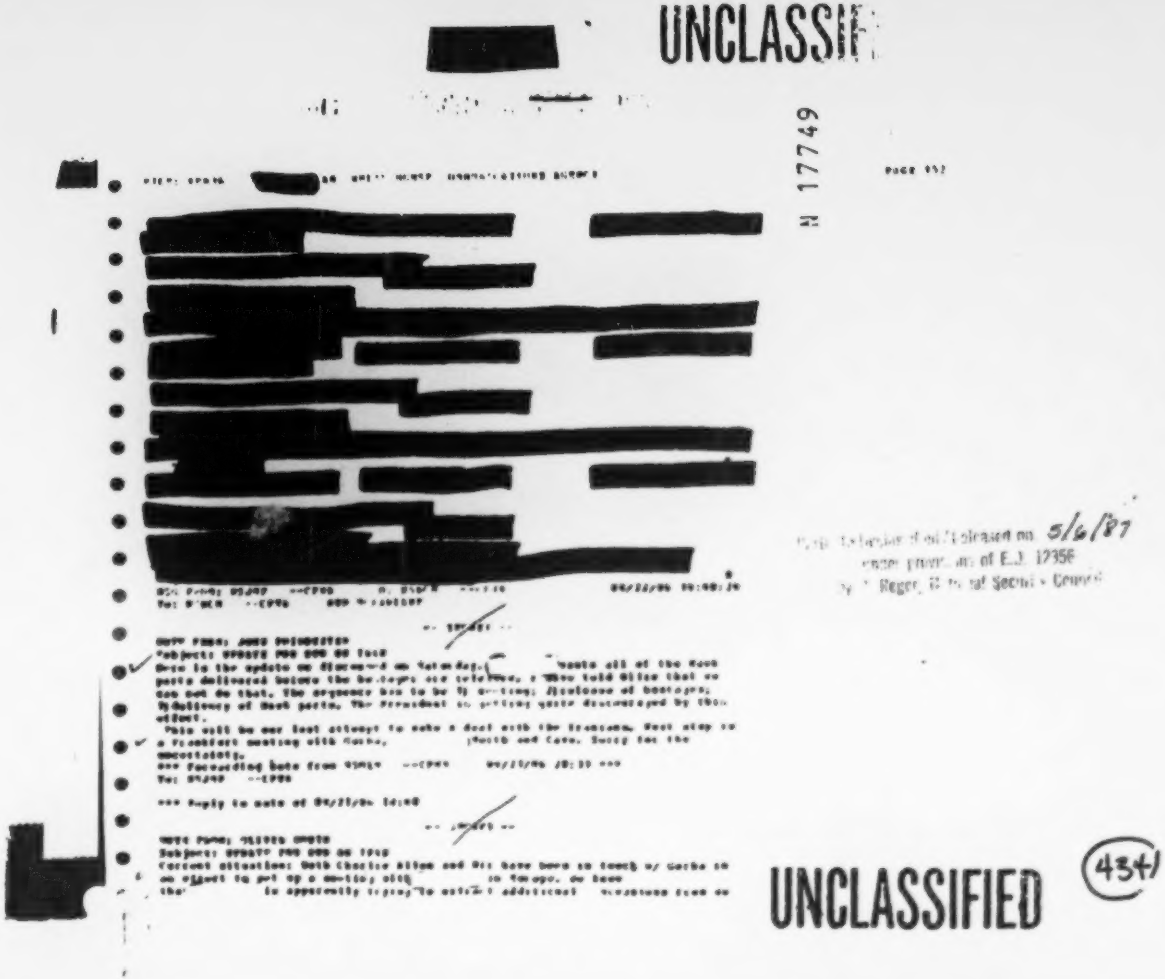
n124

[redacted]

37 N1112,1

5/6/87

EXHIBIT 46A



[redacted] UNCLASSIFIED

N 17749

[illegible] [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE [illegible]

[redacted]

[illegible] NSJMP --CPUA [illegible] 05/22/86 09:48:38
To: [illegible] --CPUA [illegible]

-- SECRET --

NOTE FROM: JOHN POINDEXTER
Subject: UPDATE FOR DON ON IRAN
Here is the update as discussed on Saturday. wants all of the Hawk parts delivered before the hostages are released. I have told Ollie that we can not do that. The sequence has to be 1) meeting; 2) release of hostages; 3) delivery of Hawk parts. The President is getting quite discouraged by this effort.
This will be our last attempt to make a deal with the Iranians. Next step is a Frankfurt meeting with Gorba, North and Cave. Sorry for the uncertainty.
*** Forwarding note from NSJMP --CPUA 05/21/86 18:33 ***
To: NSJMP --CPUA

*** Reply to note of 05/21/86 14:48

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: UPDATE FOR DON ON IRAN
Current situation: Both Charlie Allen and I have been in touch w/ Gorba in an effort to set up a meeting with in Europe. We have
the is apparently trying to extract additional [illegible] from us

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EXHIBIT 46B

N 17715
46B

[redacted]

FILE: APR86 [redacted] AD WHITE HOUSE [illegible]

[redacted]

[redacted] [redacted]

[redacted] [redacted]

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                                                                          9
MSG FROM: [redacted] --CPUA         TO: NSJMP    --CPUA         09/22/86 19:09:51
To: NSJMP    --CPUA

*** Reply to note of 09/22/86 18:58

                                   -- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
Subject: UPDATE FOR BUD ON IRAN
Roger; standing by.
  /  UPDATE FOR BUD ON IRAN                                                8
MSG FROM: NSRCM    --CPUA         TO: NSJMP    --CPUA         09/22/86 20:11:20
To: NSJMP    --CPUA

*** Reply to note of 09/22/86 18:48

                                   -- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
Subject: UPDATE FOR BUD ON IRAN
Roger John. Your firmness against the incessant attempts to up the ante is
correct. Wait them out; they will come around. I will be flexible.
  .   UPDATE FOR BUD ON IRAN
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① ②

[redacted]

[redacted] [redacted] [redacted]

[redacted]

[redacted]

[redacted]

EXHIBIT 46C

UNCLASSIFIED N 4946

--- Reply to note of 08/31/85 13:26
NOTE FROM OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Hopefully you have by now been informed that UNO FDN safely released the eight West Germans this evening just before dark at the religious commune at Presillas. Franklin is headed North in attempt to get across the Rama Rd before the Sandinistas can close in on him. At this point the only liability we still have is one of DEMOCRACY INC.'s airplanes is mired in the mud. It is the rainy season down there; [redacted] They hope to have it out by dawn. On a separate but related matter: The reason why I asked to speak to you urgently earlier today is that Ray called Elliott Abrams regarding the third country issue. Elliott has talked to Shultz and had prepared a paper re going to [redacted] for contributions. Elliott called me and asked "where to send the money." I told Elliott to do nothing, to send no papers andto talk to no one further about this until he talks to you. He is seeing you privately tomorrow. At this point I need your help. As you know, I have the accounts and the means by which this thing needs to be accomplished. I have no idea what Shultz knows or doesn't know, but he could prove to be very unhappy if he learns of [redacted] aid that has been given in the past from someone other than you. Did RCM ever tell Shultz?

I am very concerned that we are bifurcating an effort that has, up to now, worked relatively well. An extraordinary amount of good has been done and money truly is not the thing which is most needed at this point. What we most need is to get the CIA re-engaged in this effort so that it can be better managed than it now is by one slightly confused Marine LtCol. Money will again become an issue in July, but probably not until mid-month. There are several million rounds of most types of ammo now on hand and more ($3M) worth on the way by ship [redacted] Critically needed items are being flown in from Europe to the expanded warehouse facility [redacted] Boots, uniforms, ponchos etc. are bein g purchased locally and Calero will receive $500K for food purchases by the end of the week. Somehow we will mollify the wounded egos of the triple A with not being able to see RR. [redacted] on the blowpipesif we are going to do anything at all about outside support in the next few days, and I wd love to carry the letter from RR [redacted] if we are going to move on something. Meanwhile, I wd recommend that you and RCM have a talk about how much Sec Shultz does or does not know about [redacted] so that we don't make any mistakes. I don't know who in the [redacted] knows since [redacted] never told me. At this point I'm not sure who on our side knows what. Help. Warm regards, North

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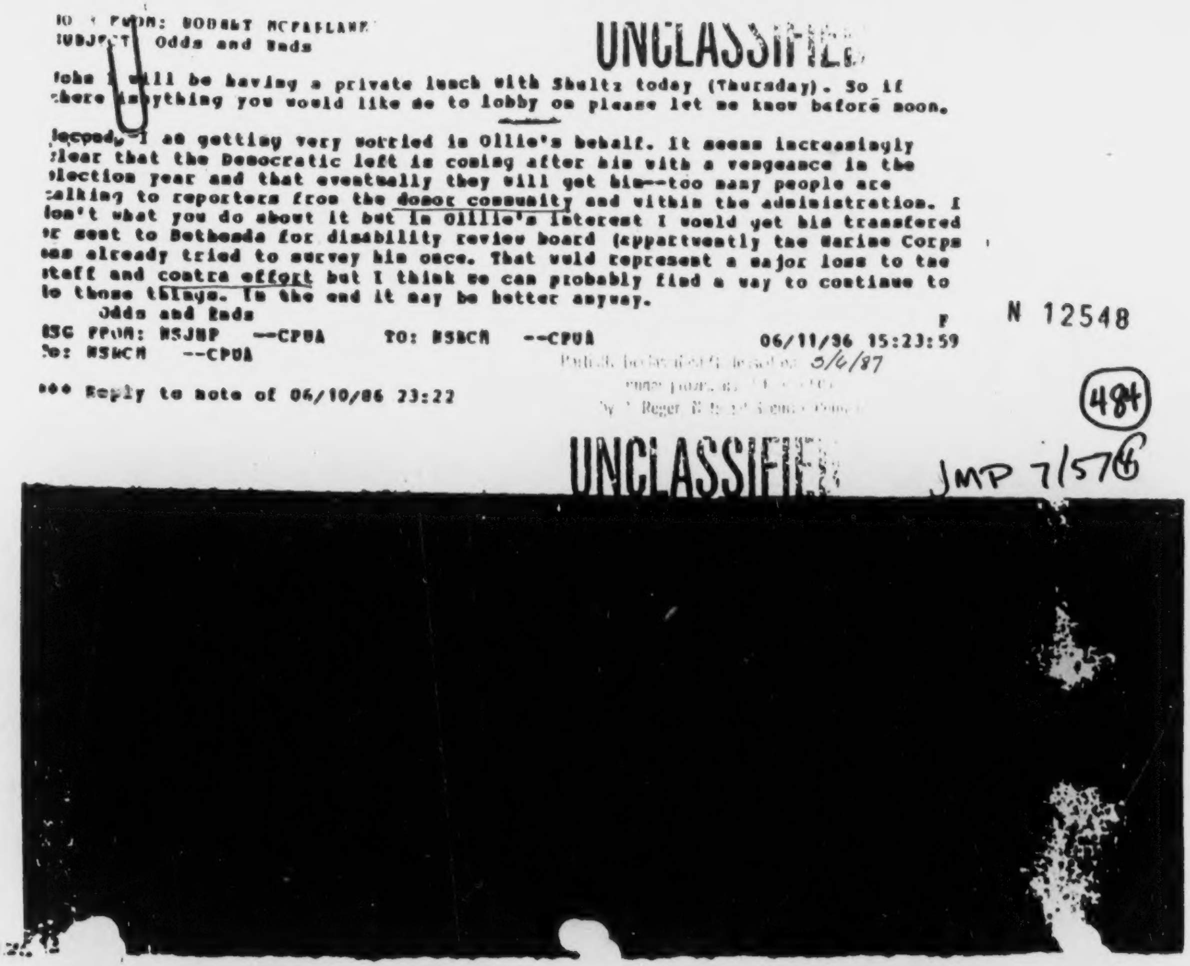
by B. Reger, National Security Council

EXHIBIT 46D



UNCLASSIFIED

TO : FROM: ROBERT MCFARLANE
SUBJECT: Odds and Ends

John I will be having a private lunch with Shultz today (Thursday). So if there anything you would like me to lobby on please let me know before noon.

Second, I am getting very worried in Ollie's behalf. It seems increasingly clear that the Democratic left is coming after him with a vengeance in the election year and that eventually they will get him--too many people are talking to reporters from the donor community and within the administration. I don't what you do about it but in Ollie's interest I would get him transfered or sent to Bethesda for disability review board (appartuently the Marine Corps was already tried to survey him once. That vuld represent a major loss to the staff and contra effort but I think we can probably find a way to continue to do those things. In the end it may be better anyway.

Odds and Ends
MSG FROM: NSJMP --CPUA TO: NSBCM --CPUA 06/11/86 15:23:59
To: NSWCM --CPUA

*** Reply to note of 06/10/86 23:22

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N 12548

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under provisions of E.O. 12356
by ? Reger, National Security Council

(484)

UNCLASSIFIED

JMP 7/57

[redacted]

EXHIBIT 46E

To: [illegible]

*** Reply to note of 09/10/86 08:43

-- SECRET --

N 7493

NOTE FROM: ROBERT MCFARLANE
Subject: Anything going on??

I've had two or three indirect quieries from Dave Miller and others as to whether I would head up a fund raising effort for the contras. If that is what you really want, it seems to me that I would do better at being a mouthpiece, giving speeches to groups of potential donors but I don't honestly time--at least until after I get this strategic nuclear/SDI study done--to give it the full time that it deserves. But just let me know when you want me to go anywhere to speak to anyone. In fact if it is of any value to you I will be on the west coast during the period October 27-29 amdif it would be of any help I could stay for the weekend to meet with all or sundry. (I would have to do a speech for some Republican in Syracuse on the 30th but would be glad to go back to the coast (or anywhere else). But I suggest the west coast because Orange county as you know is good terrain for raising money. Stay in touch.

By the way, anything heard from the Persian funny farm?

[illegible] 5 May 1987
[illegible]
[illegible]

EXHIBIT 46F

*** Reply to note of 10/03/86 21:36 UNCLASSIFIED

N 7504

NOTE FROM: OLIVER NORTH
Subject: Hostages

I am sadly derelict in answering the mail. Rafsanjani's [redacted] contact with us [redacted] arranging a pick-up [redacted] movement. With Casey's assistance we brought [redacted] here two weekends ago and we convinced each other that we really are speaking for each other's governments. He has promised a "quick resolution to the obstacle" (i.e., the hostages) that prevents our two governments from entering into a "strategic relationship" that will allow them to end the I/I war "honorably." If you have a free minute next week it wd be good to get together so that you can review the transcripts of the tapes we made during the meeting here and those I will make after Monday's meeting [redacted] If the Lord is willing, we (George, Dick and North) will be back on Tuesday -- though he has indicated that he would like to have a "follow-on" with us very soon.

Hopefully, that means we could have a release quickly resulting in a substantive discussion of the USG/IRG relationship immediately. If you wish, Bob Earl - who is backstopping me here - can make this available to you while I am gone. Pls forgive for my inordinate delay in answering yr earlier notes - it has been an even more difficult time than usual. Re the project on CentAm, I agree w/ yr assessment - but wd like to talk w/ you further on how we can build a group of responsible Republicans and Democrats which can support our policy AND legitimate non-CIA-supportable financial needs of UNO (U.S. travel, hotels, publications, etc.). This is a real need that is not being met. More on return. Warmest regards to you & Jonny. V/R North

[illegible] 7 May 1987
[illegible] E.O. [illegible]
[illegible] Security Council

UNCLASSIFIED

540

VF

EXHIBIT 47

From NSRCM --CPLA Date and time [illegible]
To NSJMP --CPLA JOHN M. POINDEXTER

UNCLASSIFIed

[redacted]

N 7501

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Current Events

Having been out of town for two days and maintaining the no comment line, I returned today to find that Don Regan has backgrounded the weeklies and laid the entire problem at my feet; my idea, my management, a strict arms for hostages deal, no larger agenda in mind, etc. I was told this not by a journalist but by my closest friend who had been getting calls all day to the effect that "Bud is being hung out to dry by Don Regan." I stillhave not commented to anyone.

But I must tell you that if this is true, I will be quite mad. This will be the second lie Don Regan has sowed against my character and I won't stand for it.

It might be useful to review just what the truth is.

You will recall that when the Israelis first approached us in June '85, I presented the idea of engaging in a dialogue with the Iranians--no mention at all of any arms exchanges at all--and he approved it.

We then heard nothing until August when the Israelis introduced the requirement for TOWs. I told Kimche no.

They went ahead on their own but then asked that we replace the TOWS and after checking with the President, we agreed. Weir was released as a consequence of their action.

My next involvement was to go to London where I presented our willingness to open a political dialogue but that we could not participate in an arms transfer for hostages. Gorbanifar ranted and raved but we did not change our position.

I returned to the States and debriefed the President (with Cap present, and Regan) that we had taken the position of being open to a political dialogue once our hostages were released but not before and ruled out an arms transfer. I also said that Gorbanifar was not to be tursted and recomended that we no longer carry on business with him. You were present John. I then left the government.

Some dialogue must have continued with Gorbanifar between New Year's and April, notwithstanding my recommendation. In April you contacted me to go to Iran to open the political dialogue. I did so. Once there, faced with bad faith on their part (not having released our people and without meetings with the decision makers) I aborted the mission. Ollie can verify all this.

Upon my return, I debriefred the trip and once more recommended against carrying on the arms connection but waiting them out on the political dialogue.

C307
C310

Now this is a far cry from the way Regan is supposed to be reporting it John. I have supported the idea of the political dialogue but time and again, have registered my opposition to the arms deal. You know that.

If any of these reports of what Regan is saying are true--they are supposed to be in Time and Newsweek on Monday--it will be cause for a libel suit by me.

I am perfectly willing to carry on the no comment approach; that seems to me to best serve the hope of preserving the position of Rafsanjani et al. But I won't tolerate lies from Don Regan.
John.itmight be useful for you to try to find out from Don or by asking the mags directly, just what they are running with I have made no comment (other than the "fanciful and fictitious" line in my Cleveland Q&A) and will not

Take care.

N 7502

EXHIBIT 48

*** Reply to note of 11/07/86 20:3 UNCLASSIFIED N 7500

NOTE FROM: JOHN POINDEXTER
Subject: Current Events

Bud. I will check with Don in the morning. I frankly doubt that he did what you suggest. I had breakfast with him this morning and he agreed that he would keep his mouth shut. I will see what I can find out and will call you. I wish everybody would calm down a bit on this. We have a damn good story to tell when we are ready. Right now would be an absolutely stupid time for the administration to say anything. [redacted]

I will be back in touch.

EXHIBIT 49

UNCLASSIFIE 11/8/86 10 48 29

~~-- SECRET --~~

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Good Morning

N 7499

I've been out of town for two days, as I guess you have too. After five months without one speech, for some reason I have had to do two of them on the same day. Both were followed by Q&A with the first questions being on the Iranian headlines. I replied that I could not comment but would welcome the chance to do so at the appropriate time in order to correct what have been "fanciful and largely fictitious" stories.

Although Caroline tells me that I have had hndreds of calls, I have refused all of them and will continue to do so. I have been told on very good authority however, that Don Regan is beginning to brief on this laying the whole thing at my feet.

I am proud of what we have set in motion and believe it may still have some promise especially in the context of restoring some stability in the relationship with Iran which has always been my motive as you know. Similarly I have always been against dealing with Gorbanifar. But none of this need be a matter of public record. [redacted] If so, we ought to get on with it ASAP. We have about two months to get something accomplished before the tide of congressional investigations overwhelm us. It is a good story to tell as it stands; it can be better.

Let's stay in touch.

6 May 1987

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Exhibit 50

UNCLASSIFIED

11/11/86 00:26:41

NOTE FROM: ROBERT MCFARLANE
Subject: Strategy
*** Forwarding note from NSRCM --CPUA 11/11/86 00:26 ***
To: NSJMP --CPUA JOHN M. POINDEXTER

N 7498

-- SECRET --

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Strategy

John, I can understand that we want to avoid focussing a spotlight on [redacted] and that that means the only defensible reason for continuing to stonewall is to point to the possibility that comment will increase the risks to the hostages. But there are two downsides to taking that approach. The one is that it lends some credence to the idea that this really was an arms-for-hostages deal, not the opening of a larger dialogue. And second, it will force us into an explanation if/when the hostages are actually released--when we may still not want to blow [redacted]

I think we need to recognize certain fundamentals. First, the hostages aren't the issue for us in real policy terms, nor to the public critics nor to the congress. The critics' interest is whether or not we traded arms for hostages. Our interest is in trying to forge a broadder relationship. Neither of these interests are advanced by the release of the hostages. But both interests would be served by something promising coming out of Iran; something to indicate that there may be at least mellowing of their attitude. That would lead the reston'sGreenfields and congressional critics to say "Maybe there really was someting redeeming to this after all."

In short, I think that the only way--the only way--the Administration can expect to come out of this with any element of credibility is for there to be some evidence that it was worth it to try to engage moderates in Iran. That can only be demonstrated by something--som,e statement--from Iran. We cannot do it from here.

Therefore I believe it is essential that we concentrate all of our efforts on convincing the Iranians that there has to be some degree of change in their rhetoric right away. In that vein, I drafted up some words and left them with ollie to be sent to Iran.

In sending them, it is my recommendation that we make it abundantly clear that what is at stake is not only whether ornot it will remain possible for us to deal with them, but also whether or not they have the possiblitiy of dealing with any other western leader. WEshould point out that surely Thatcher, Mitterand et al are watching whether or not Reagan can survive this. If he doesn't the Irnaians surely ought not expect someone else to try it.

AS YOU WILL SEE FROM THE STATEMENT, THEY DON'T HAVE TO SAY MUCH BUT THERE HAS TO be something. And it has to get moving urgently.

I will be in the CSIS office all day tomorrow if you want to talk about this.

Thanks.

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12/5/86
KZ

6 May 1987

EXHIBIT 51

\MSG FROM: NSRCM --CPUA TO: NSFM --CPUA 11/12/86 21:36:
To: NSFM --CPUA

UNCLASSIFIED

N 19113

NOTE FROM: ROBERT MCFARLANE
<SUBJECT>
SUBJECT: Draft text.
<TEXT>

Good afternoon. Over the course of the past week, our national attention has been focussed upon an extremely sensitive and profoundly important policy initiative. Thus far, it has been partially successful and, if we can recognizeits potential, holds enormous promise for strengthening US interest in the Middle East. It concerns our relationship with Iran. As unfortunate a the disclosures have been in putting this initiative at risk, I want today t put in perspective the motives that inspired it and the reasons for my optimism that it can, with discretion, be carried forward.

It is difficult for all of us to establish any perspective on the events tha took place in Iran seven years ago. It doesn't match anything in our own experience. And yet, neither can we allow that trauma to paralyze us given t enormity of our strategic interests in the area--interests that have been p in serious jeopardy since the Iranian revolution.,Let me ask you to stand b from events for a moment and consider a few fundamental facts about Iran. (Refer to map).

Iran encompasses some of the most critical geography in the world. It sits between the Soviet Union and access to the Indian Ocean--access that has be a Soviet objective for centuries. That also applies to Afghanistan which explains why the Soviet Union has invested so much in an effort to dominate that country and ultimately Pakistan, if they could.

Iran's position on the Persian Gulf also gives it a critical position from which to interfere with oil flows from all of the Arab states that border it.And,
apart from geography, Iran's own oil deposits are critical to the long ter health of the international economy.

For all these reasons, it is very much in our interests to watch for change within Iran that might offer hope for a return to a measure of stability in our relationship. But until last year, nothing of very much promised occurec Quite the contrary.

Indeed we have had bitter and enduring disagreements that exist today. At th heart of our disagreements is Iran's sponsorship of international terrorism against Americans and other western nations. This Iranian violence has been devoted to expelling us all from the Middle East. We cannot tolerate that. interests in the Middle East--indeed those of all countries--are vital. We cannot allow ourselves to be forced out of the Middle East. At the same time we seek no territory or other influence in Iran. We accept the Iranian revolution and do not seek to roll it back. In sum, our interests are compatible with theirs. We are ready to determine whether we can find a way live and let live.

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6 May 198

<HEADER>
\MSG FROM: NSRCM --CPUA TO: NSFH --CPUA 11/12/86 22:12:5
To: NSFH --CPUA

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N 19115

NOTE FROM: ROBERT MCFARLANE
<SUBJECT>
SUBJECT: Continuation on Iran
<TEXT>

WWith these thoughts in mind, we were receptive when, last year, we were alerted to the possibility of establishing a political dialogue with Iranian officials. After many false starts where other such approaches had proven without serious purposes, we took particular pains to validate the legitimacy of those involved. But after exhaustive effort had confirmed the authority of those inevlved and I should say, after they had placed themselves at considerable risk, we decided to take respond. From the beginning our purpose was clearly expressed.

We stated that although we could imagine engaging in a dialogue, that had very fundamental disagreements with <Iranian policy, most importantly with their support of terrorism and the holding of our hostages. Clearly no progress could be made or even consdiered until they were released and Iran ceased its terrorist attacks.

Not long after the exchanges began at a staff level, it became apparent that our interlocutors were indeed legitimate for they were able to direct concre actions on which we insisted to include the release of hostages and the cessation of further such actions. It also became very clear that by doing s they had stimulated considerable infighting among other factions within Iran It was apparent that those with whom we were dealing faced certain risks and needed support if they were to be able to carry on and broaden their constituency within Iran.

(317)

6 may 1987

HEADER>
MSG FROM: NSPCW --CPUA TO: NSFH --CPUA 11/12/86 22:28:41
To: NSFH --CPUA

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N 19116

NOTE FROM: ROBERT MCFARLANE
SUBJECT>
SUBJECT: Continutaiton II
TEXT>

And so the staff level contacts continued into the spring of this year by which time we hadlaid down certain fundamental requirements--notably the full release of all our hostages. Based upon the maturing of confidence--albeit with clear disagreements--we sought to elevate the level of contacts to decision makers and a meeting wasarranged in Tehran. I asked my former national security advisor to undertake this mission and gave him very explicit instructions. These were to go to Iran and open a political dialogue, making clear with full force our basic disagreements with them and to say that while we were open to a dialoque it could not be carried forward without the prior elease of our hostages.

The talks took place over the course of four days. They were conducted in a civil fashion. At their conclusion our delegation departed. Since then the dialogue has continued and step by step progress is being made.With firmness and d evotion to principle we can continue to make progress.

All of this has involved great sensitivity for those involved. But over time they have managed to strengthen themselves to a position of being able to engage in more serious acts. There is no question but that we could not have reached this level had theinitiative been exposed earlier--indeed it is verymuch at risk today. The point is that I must face the responsibility of taking advantage of opportunities that hold promise of improving our security but when they involve a fundamental reorientation of another countries basic policies; absolute secrecy is required. There is ample precedent in our history for this kind of sensitive diplomacy and it has been fully accepted by my Cabinet.

From the beginning my guidance was to prepare briefings for presentation at the earliest moment that would not compromise the undertaking. I am afraid that that threshold may have been crossed too soon. Time will tell.

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[redacted]

6 May 1987

EXHIBIT 52

UNCLASSIFIED

N 19476

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY PAGE [illegible]

[redacted]

[redacted]

NSC [redacted] FROM: NSJMP --CPUA TO: NSRCM --CPUA 11/12/86 22:20:22
To: NSRCM --CPUA

*** Reply to note of 11/12/86 21:59 -- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: Draft text.
This looks pretty good so far. As I told Ollie I think we will need to show the final product to George Cave and get an "Iranian" reaction on it. Even though the President wants to say something -- mainly to explain the things we are not doing -- he is not willing to give up on our efforts. So the challenge is to see if something can be produced that will help and not harm our efforts.

cc: NSOLN --CPUA OLLIE NORTH

A. Draft text.

[redacted]

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(6may1987)

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EXHIBIT 53

[illegible] JOHN M. POINDEXTER [illegible]

UNCLASSIFIED

N 7496

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Perspective

Jonny and I are leaving today to go to Chicago to see Melissa perform in a play. I will also be giving a speech before the Simon Weisenthal center for the study of terrorism (I think the V.P. is also speaking there tonight).

But before leaving I wanted to write down some preliminaries on what we ought to expect here at home and abroad in the days ahead.

It is difficult to know whether or if so, when, public opinion can be altered here at home. I think time probably is on our side, conditioned upon whether something adverse happens in Iran with the "good guys." But I don't think we need be too pessimistic. Remember the other side had ten days to build the case in the public mind against us and we have only just begun to fight back For what it is worth, I received a five-minute standing ovation when I laid out the whole story before the Young President's Organization audience. It has a very broad cross section of successful young, but small businessmen and is about evenly split between Demos and Republicans.

And even among journalists, I have found that the more I explain the more they begin to understand that this is not as superficial as they have portrayed it.

A major problem we face is that, quite apart from its substance, it is a vehicle for beating the President. So that motive will drive Democrats on the Hill into a frenzy. I think we need to work against that in a rather careful way. For example, I think the President's tone toward the Hill generally ought to be to reach out and seek cooperation. Any other approach will be suicidal. They control both houses. If he is serious about trying to accomplish something, he will need to try to build a core of Demos who will support. In today's radio speech, I sensed that perhaps Pat believes it is hopeless and has urged a strategy of running against the partisan demos in '88. That is irresponsible and I think, also bad politics, for Republicans are not yet a majority--we will need demos to win in '88. So point one is that the President's public remarks toward the Hill ought to conciliatory, not confrontational on all issues, not just this one. I am inclined to think that he ought to try to get a small group of Senators with integrity down to visit on this issue. The V.P.'s advice would be good on this. But a small group to include John Stennis, Lloyd Bentsen, maybe Peter Rodino and a few Republicans of similar credentials (e.g. Goldwater--after some softening up by me--Tower) and talk deliberately about the big picture. Now that may be basically wrong John. Your stress on how the President was preoccupied with the hostages--which is astonishing--might lead him to put the emphasis on that and lead people to the wrong conclusion. You are the best judge.

Apart from the President, I think it is essential that we have a communications game plan which deals with the editorial boards as well as the leading print and electronic journalists (although ruling out those who are clearly irretrivable). And it ought to be a pro-active strategy. We cannot plead the sensitivity, although it better preserves the policy potential of the enterprise. Because the simple truth is that unless we make a better case than the opposition, the policy potential will be overwhelmed by new law anyway and we end up in the same place. And I also believe that if we believe what we say--that there really is a circle of sensible people in Iran, that they too must be brought to the awareness--by a long letter to them or by a thorough explanation in a meeting--that we are both of us at a moment of

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[illegible]

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truth. If we are to carry this forward it will take some performance from them in ways that only they can judge but that we cannot avoid laying out the whole thing here.

N° 7497

If that is the way we decide to go--and I will abide by whatever you and the President decide--then I beleive I can help by being very active but not necessarily visible (although I don't oppose that) with editorial boards and in one-on-one sessions with Goldwater, Bentsen, Foley, Murtha, maybe Nunn, Lugar etc. But we cannot, I repeat cannot, hunker down on this and the Iranians must be told that. They may very well jump ship right away--I expect that that is likely--but they are not without vulnerabilities. We might be able to influence their thinking by asking Dick Walters to go see [redacted] asking him to weigh in with the Irnaians gets along with them and can give them some solid hard experience He might send to see them.

A final comment. I lived throught Watergate John. Well-meaning people who were in on the early planning of the communications strategy, didn't intend to lie but ultimately came around to it. I don't know how Regan will tend. He might choose two courses; either to push it off on someone outside the White House, which is fine with me, or he might go ahead with a "sell it on its merits" strategy. If the latter is the course followed, it must not be confrontational, but open and candid.

The judgments made on this and other matters in the next four or five days will be crucial. I will be glad to talk about when I return from Chicago on Tuesday if you wish.

cc: NSAGK --CPUA ALTON G. KEEL

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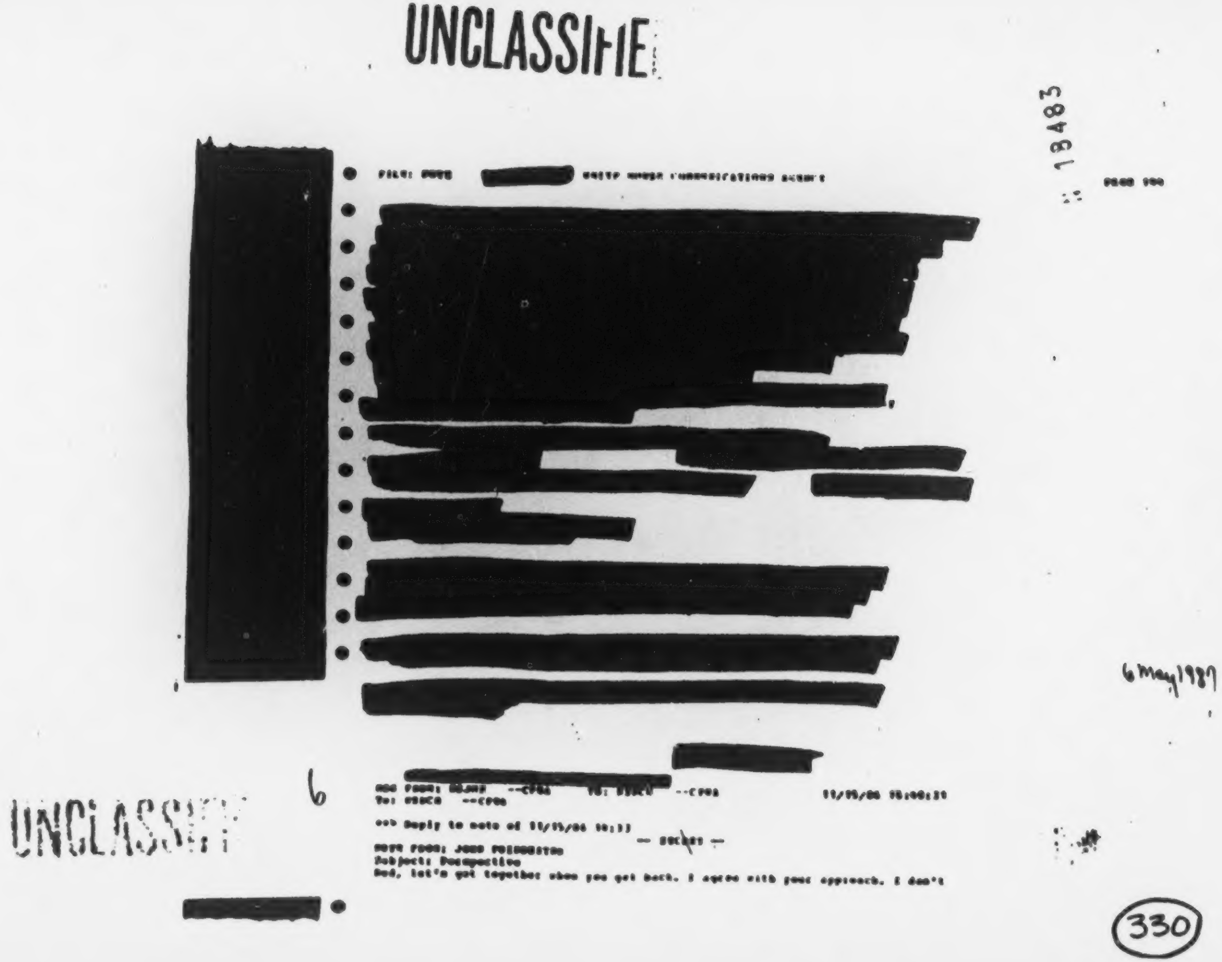
6may1987

EXHIBIT 54



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PAGE 100

[redacted]

FILE: PROF [redacted] WHITE HOUSE COMMUNICATIONS AGENCY

[redacted]

6 May 1987

[redacted]

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MSG FROM: NSJMP   --CPUA     TO: NSRCM   --CPUA              11/15/86 15:00:31
To: NSRCM   --CPUA

*** Reply to note of 11/15/86 10:13
                                        -- SECRET --
NOTE FROM: JOHN POINDEXTER
Subject: Perspective
Bud, let's get together when you get back. I agree with your approach. I don't
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[redacted]

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[illegible] 18484

FILE: NOTE [redacted] WHITE HOUSE COMMUNICATIONS AGENCY

think I have stressed the President's pre-occupation with the hostage issue. Don [illegible] and I agree it is a mistake. The President is interested and is willing to take some risks in getting them back, but not pre-occupied. I think a message through [redacted] is a good idea. I will ask Al to get that into the planning process. I also think a non-paper from me to Rafsanjani is also a good idea. We will think about the other aspects. Florence, please set up a meeting with Bud on Tuesday.

```
cc: [illegible]  --CPUA    FLORENCE GANTT    [illegible]  --CPUA    AL KEEL
  1 Perspective  !                                                       0
NOTE FROM: [illegible]  --CPUA    TO: [illegible]  --CPUA      11/05/86 16:43:32
To: [illegible]  --CPUA    OLLIE NORTH
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~~— SECRET —~~

NOTE FROM: JOHN POINDEXTER
SUBJECT: Jerry Bremer
Have you brought Jerry into the Iran project yet? I want to talk with him after you have.

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cc: [illegible]  --CPUA    PAUL THOMPSON    [illegible]  --CPUA    FLORENCE GANTT
    [illegible]  --CPUA    AL KEEL
```

Jerry Bremer

[redacted] [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

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c May 1987

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Exhibit 55

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Partially Declassified/Released on 5 May '87
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

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11/17/86 2000
(Maximum Version)

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in that critical part of the world and to try and reestablish a constructive working relationship. Even before President Reagan came to office the U.S. Government agreed to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted]

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they precipitated the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts on our part to try to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran, the key to a region of vital importance to the West, is increasingly threatened by growing Soviet military and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran which serves Soviet strategic interests in the area.

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-- Communist nations have become principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly threatening Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the Communist influence in Iran stems from:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

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In short, the Soviets were far better positioned to significantly improve their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

Since 1983, various countries have made overtures to the U.S. and Iran in an effort to stimulate direct contact. [redacted] About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. However, internal splits and debates made it difficult for them to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In 1985, a private American citizen (Michael Ledeen) was approached by a representative of the Israeli government (David Kimche), who reported that they had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

The Israelis analyzed this intermediary's background exhaustively in order to validate his legitimacy. This analysis led them to have extremely high confidence in his standing and genuine relationship to the highest Iranian officials. Based in large part upon the Israeli evaluation and in recognition of the clear U.S. interest in a dialogue that might, over time, lead to the moderation of Iranian policies, the U.S. established an indirect contact with the Iranian intermediary in mid-1985, through the private U.S. citizen and a senior Israeli official. These contacts were established through the National Security Council staff with the full knowledge of appropriate Cabinet officers. From the very first meeting with the Israelis and the Iranian, i was emphasized that the USG could not proceed with direct contac unless Iran renounced terrorism as an instrument of state policy

MORE DETAILS ON MTGS *

YR. CUT & OTHERS

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In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

In September of 1985 the Israelis advised that they were close to achieving a breakthrough in their contact with Iran and would proceed unless we objected. It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and to provide Iran with assistance in its war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, Israel continued to provide limited military and industrial technology to Iran. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.

RECORD OF U.S. EFFORTS GET IS. TO DESIST CHECK HOWARD

On August 22, 1985, the U.S., through the U.S. citizen intermediary, acquiesed in an Israeli delivery of military supplies (508 TOWs) to Tehran. We were subsequently informed that the delivery had taken place at the end of August, though we were not aware of the shipment at the time it was made. U.S. acquiescence in this Israeli operation was based on a decision at the highest level to exploit existing Israeli channels with Tehran in an effort to establish an American strategic dialogue with the Iranian government.

CHECK WITH BUD & PAUL

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed

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Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In late November 1985, the Israelis, responding to urgent entreaties from the Iranians, provided 18 basic HAWK missiles to Iran in order to improve the static defenses around Tehran. The Israeli delivery of HAWK missiles raised U.S. concerns that we could well be creating misunderstandings in Tehran and thereby jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. These missiles were subsequently returned to Israel in February 1986, with U.S. assistance. On December 6-8, 1985, the National Security Advisor met (in London) with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane stated that our goals were as follows:

- Devising a formula for re-establishing a strategic relationship with Tehran.
- Ending the Iran-Iraq War on honorable terms.
- Convincing Iran to cease its support for terrorism and radical subversion.
- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

Mr. McFarlane made clear that a Western dialogue with Iran would be precluded unless Iran was willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages.

On January 8, 1986, the President approved a covert action Finding directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. In accord with extant statutes, the President directed that the Director of Central Intelligence ~~refrain from~~ reporting the Finding to the appropriate committees of the Congress until reasonably sure that the lives of those carrying out the operation (both U.S. and foreign) would not be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted] a representative of the Israeli Prime Ministry [redacted], and a senior-level Iranian official [redacted]

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[redacted] met in Germany. At this meeting, the Iranians agreed that, if the USG would provide TOW weapons to Iran, they would, in turn, provide same to the Afghan Mujahideen. The U.S. agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

-- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.

-- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.

-- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, funds were deposited in the CIA account in Geneva on February 11, 1986 and on February 14 1,000 TOWs were transported to Israel for pre-positioning. The TOWs were off-loaded and placed in a covert Israeli facility.

On February 19-21, U.S. and Iranian officials (NSC and CIA) met again in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

[redacted]

The escalation of tensions with Libya, leading up to the April [redacted] strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate th

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effort in late April, 1986. At that point, the Iranian expatriate advised us that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya. [redacted] The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death. [redacted]

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors. In order to ensure operational security, the trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] was obtained from the CIA.

In the course of the four-day (May 25-29) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab A), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

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-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the hostages.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint. On August 3, three pallets (less than ½ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran (from Israel).

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF (Ret.)) acting within the purview of the January Covert Action Finding, made contact in Europe with [redacted] a relative [redacted] of a senior Iranian official (Rafsanjani). With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to

DRAFT

UNCLASSIFIED SECRET

be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided intelligence designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new and Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted] The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] At this meeting, [redacted] stated that there was a "very good chance that another American or two would be reed soon." On October 29, with U.S. acquiscence Israel provided Iran with an additional increment (500 TOW missiles) of these defensive weapons.

Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this was part of the purpose of the Iranian Foreign Minister's visit to Syria. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating; [redacted] On November 2, David Jacobsen was driven to a point near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a highly fabricated version of the May 1986 McFarlane mission in his

TOP SECRET

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DRAFT

November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Aytollah Montezari, for acts of terrorism and treason has caused further internal conflict. Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their contacts with more radical Hizballah elements. [redacted] Despite these internal difficulties and attendant publicity in the Western media, the Iranians continue to maintain direct contact with the USG and met again in Geneva on November 9-10 with NSC and CIA representatives. [redacted]

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We believe that the September-October kidnappings of Messers. Reed, Cicippio, and Tracy were undertaken in an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the moderate faction with which we have been in contact. [redacted] Contrary to speculative reports that these hostages were taken in order to stimulate the acquisition of more arms, they were most likely captured in order to prevent the very rapprochement with Iran we are seeking.

DRAFT

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 TOWs and 235 HAWK missile parts was undertaken under the provisions of a covert action Finding.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

- -- Sterile overseas bank accounts for financial transactions.
- -- A secure transhipment point for the dispatch of U.S. military items from the U.S.
- -- Transhipment of military items from the U.S. to Israel.
- -- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.
- -- Cleared meeting sites in Europe for meetings with Iranian officials.
- -- Alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program are in no way adequate to alter the balance of military power nor the outcome of the war with Iraq. They have, however, [redacted] demonstrated the U.S. commitment to Iranian territorial integrity. Further, U.S. efforts over the last 18 months have had tangible results on Iranian policy:

- -- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).
- -- Iranian direction that the hijacked Pan Am #73 could not leave Karachi for Iranian territory.
- -- [redacted]
- -- The release of three American and two French hostages.

[illegible]

It should also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

Exhibit 56

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N 13512

FILE: OPSMAIL [redacted] 86 WHITE HOUSE COMMUNICATIONS AGENCY PAGE 001

MSG FROM: NSRCM --CPUA TO: NSJMP --CPUA 11/18/86 21:02:40
To: NSJMP --CPUA JOHN M. POINDEXTER

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Draft insert

After thinking about the point I made at lunch today about mentioning the very reasonable basis for expecting that Iranian officials did have an interest in change, and after re-reading the statement, I feel less strongly that it needs to be in the opening statement.

But I guess I do believe that it is a point that you should stress in your pre-press conference brief so that he has it in his head to use as a Q&A. Just as long as it comes out on the record that any fool can well imagine a number of reasons why Iranians would want to change the status quo--war with Iraq, Russians menacing North and East, dwindling foreign exchange, internal unrest etc.

cc: NSAGK --CPUA ALTON G. KEEL

Draft insert
MSG FROM: NSRCM --CPUA TO: NSJMP --CPUA 11/18/86 21:04:30
To: NSJMP --CPUA JOHN M. POINDEXTER

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Edits to chronology

I am working on the edits for the chronology now and will send them to you later tonight.

cc: NSAGK --CPUA ALTON G. KEEL

Edits to chronology
MSG FROM: NSRCM --CPUA TO: NSJMP --CPUA 11/18/86 23:06:20
To: NSJMP --CPUA JOHN M. POINDEXTER

-- ~~SECRET~~ --

NOTE FROM: ROBERT MCFARLANE
SUBJECT: Chronology

I have just finished reading the chronology. Much of it is coming to me for the first time--primarily the material on what went on between Jan-May'86--and I am not really able to comment on how to deal with that.

It seems to me that I ought to limit my input to what I recall from my involvement before Jan '86 and then from the May meeting. In that context, I would recommend deleting all material starting on the 11/17 (2000) version at page three, penultimate para (i.e. In 1985, a private...) down through the third para on the following page (ending with...strategic dialogue with the Iranian government.) and replace with the following.

TOP SECRET/VEIL

N 10513

[redacted]

FILE: OPSRAIL OPSLOG21 BO WHITE HOUSE COMMUNICATIONS AGENCY

"In July of 1985, during a visit to Washington, an Israeli diplomat advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high level dialogue with them. The Iranians were described as comprising the principal figures of the government (i.e.Speaker of the Majlis Rafsanjani and Prime Minister Musavi) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli diplomat as to why he found the Iranian proposal credible, given the events of the past 6 years. He replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks (i.e. by exposure of themselves in meetings with Israelis to compromise as well as by the transfer of extremely sensitive intelligence on the situation (and political lineup) within Iran; information which was proven valid).

oo

The Israeli asked for our position/agreeing to open such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This was conveyed back to the Israeli diplomat.

WHDS pars

Within days the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position and that the Iranians had responded that recognizing the need for both sides to have tangible evidence of the bona fides of the other, that from their side they wanted us to know that they believed they could affect the release of the Americans held hostage in Lebanon.

[redacted]

As a separate matter the Iranians stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of US equipment. The Israeli asked for our position toward such actions.

Mr McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that while he could understand that, assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible material, that at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military material. This was conveyed to the Israeli.

Within days (mid August) the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the US government would be to an Israeli transfer of modest quantities of material. McFarlane [redacted] would

[redacted]

FILE: OPSMAIL [redacted] 80 WHITE HOUSE COMMUNICATIONS AGENCY

represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the US but that a problem would arise when ultimately they needed to replace items shipped. He asked whether at that time Israel would be able to purchase replacement parts. McFarlane stated that again, the issue was not the ability of Israel to purchase military equipment from the US--they had done so for a generation and would do so in the future--but rather the issue was whether it was US policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the DCI). Again the President stated that while he could imagine the day coming when we might choose to support such elements with material, he could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplomat.

On September 14,1985, Reverend Benjamin Weir....(continue as written on page 8)

(At end of para, insert the following) We subsequently learned that in late August the Israelis had transferred 508 TOW missiles to Iran. Later in the fall, other transfers of equipment were made between Israel and Iran although some of the items were returned to Israel. McFarlane conveyed these reports to the President who directed that we insist on a direct meeting with the Iranian interlocutors while expressing our positon against further arms transfers. A meeting was arranged to take place in London in early December. The President instructed McFarlane to represent the US at the meeting and to make two basic points: 1. That the US was open to a political dialogue with Iran; but that no such dialogue could make progress for as long as groups seen as dominated by Iran held US hostages, and 2. That we could under no circumstances transfer arms to Iran in exchange for hostages. These points were made to the Iranian interlocutor. He replied that unless his circle of associates were strengthened they could not risk going ahead with the exchanges. Mr. McFarlane acknowledged the position but stated we could not change our position and returned to Washington. He debriefed the President and appropriate Cabinet officers, recommending that no further action be pursued. He then left the government.

(Note: Enter at the appropriate place, the following account of RCM's involvement in the May meeting.)

In April, Mr McFarlane was contacted and advised that further staff-level contacts had been pursued since he had left government that had led to an arrangement for the release of the remaining hostages. He was asked whether he would be prepared to meet with Iranian officials to open the political dialogue. He agreed to do so and traveled to Iran in late May to do so. (Then pick up with existing text).

CC: NSAGB --CPUA ALTON G. KEEL

@Chronology

[redacted]

[redacted]

Withls Pages

EXHIBIT 57

TOP SECRET

UNCLASSIFIED

11/7/86 #57
[redacted]

EXHIBIT 57

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

TOP SECRET
Declassify: OADR

Partially Declassified/Released on 5 May 87
under provisions of E.O. 12356
by [illegible] Reger, National Security Council

TOP SECRET

N 20961
12/4/86
KR
-9U

UNCLASSIFIED

N 5662

-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

TOP SECRET

UNCLASSIFIED

In short, the Soviets were far better ~~positioned to~~ been engaged in improve significantly their influence in the region in 1985 when we were to presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have ~~made~~ overtures to the U.S. and Iran in an effort to stimulate direct contact. [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures. between the two countries.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In ~~[illegible]~~ the spring of 1985, a private American the director citizen (Michael Ledeen) ~~was~~ learned from official ~~approached by a representative of the~~ Israeli government (David Kimche), ~~[illegible]~~ that ~~[illegible]~~ had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

Go to top of P. 4.

~~The Israelis analysed this intermediary's background exhaustively in order to validate his legitimacy. This analysis led them to have extremely high confidence in his standing and genuine relationship to the highest Iranian officials. Based in large part [illegible] the Israeli evaluation and in recognition of the clear U.S. interest in a dialogue that might, over time, lead to the moderation of Iranian policies, the U.S. established an indirect contact with the Iranian intermediary in mid-1985, through the private U.S. citizen and a senior Israeli official. These contacts were established through the National Security Council staff with the full knowledge of appropriate Cabinet officers. From the very first meeting with the Israelis and the Iranian, it was emphasized that the USG could not proceed with direct contact unless Iran renounced terrorism as an instrument of state policy.~~

TOP SECRET

UNCLASSIFIED N 5664

TOP SECRET

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis [redacted] Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

Insert #1

~~In July of 1985, the Israelis advised that they believed they were close to achieving a breakthrough in their contact with Iran and would proceed unless we objected.~~ ~~It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and that they had in the past provided Iran with assistance in its war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, we believe that Israel continued to provide limited military and industrial technology to Iran -- even after they officially told us that such activities had ceased. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.~~

~~On August 22, 1985, a senior Israeli official (David Kimche) visited Washington and met with the National Security Advisor. The Israeli asked us to acquiesce in a single Israeli delivery of defensive military materiel to Tehran. He urged that we allow such an action to take place in order to gain increased influence in Tehran. Mr. McFarlane stated that the U.S. could in no way be construed as an "arms for hostages" deal and that there could be no guarantee that whatever items of U.S. origin Israel sent, could be replaced. We were subsequently informed that the Israelis had delivered 508 TOWs at the end of August.~~ ~~Though we were not specifically aware of the shipment at the time it was made we did make a subsequent decision not to expose this Israeli operation so that we would have the option of exploiting existing Israeli channels with Tehran in our own effort to establish an American strategic dialogue with the Iranian government. The Israelis managed this entire operation, to include delivery, arrangements, funding, and transportation. The total value of this shipment was less than $2 million and, therefore, below the threshold for required reporting of a military equipment transfer under the Arms Export Control Act.~~

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

TOP SECRET

TOP SECRET

UNCLASSIFIED N 5665

MSG FROM: NSOLN --CPUA TO: NSBEB --CPUA
To: NSBEB --CPUA 11/19/86

NOTE FROM: OLIVER NORTH
Subject: Chronology
Please print for me. Thank you.
*** Forwarding note from NSRCM --CPUA 11/18/86 23:07 ***
To: NSOLN --CPUA

-- SECRET --
NOTE FROM: ROBERT MCFARLANE
Subject: Chronology
*** Forwarding note from NSRCM --CPUA 11/18/86 23:06 ***
To: NSJMP --CPUA JOHN M. POINDEXTER

-- SECRET --
NOTE FROM: ROBERT MCFARLANE
SUBJECT: Chronology

I have just finished reading the chronology. Much of it is coming to me for the first time--primarily the material on what went on between Jan-May'86--and I am not really able to comment on how to deal with that.

It seems to me that I ought to limit my input to what I recall from my involvement before Jan '86 and then from the May meeting. In that context, I would recommend deleting all material starting on the 11/17 (2000) version at page three, penultimate para (i.e. In 1985, a private...) down through the third para on the following page (ending with...strategic dialogue with the Iranian government.) and replace with the following.

Insert #1

"In July (Kimche) ~~of~~ 1985, during a visit to Washington, an Israeli official ~~diplomat~~ advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high level dialogue with them. The Iranians were described as comprising the principal figures of the government (i.e. Speaker of the Majlis Rafsanjani, ~~and~~ Prime Minister Musavi and Khomeini's heir-apparent Ayatollah Montazeri) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli ~~diplomat~~ as to why he found the Iranian proposal credible, given the events of the past 6 years. ~~He~~ He replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks ~~[illegible]~~ and from exposure ~~of~~ themselves ~~in~~ to possible compromise by meetings with Israelis ~~[illegible]~~ extremely sensitive intelligence on the situation (and political lineup) within Iran; The Israeli information which was proven valid.

: He noted that the Iranians had ~~taken~~

N 5666

The Israeli asked for our position ~~agreeing to~~ open such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This was decision [illegible] to the Israeli diplomat.

~~Within days~~ the Israeli called again and on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that recognizing the need for both sides to have tangible evidence of the bona fides of the other, that from their side they wanted us to know that they believed they could affect the release of they the Americans held hostage in Lebanon.

According to the Israeli ~~[illegible]~~ the Iranians reportedly stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of US equipment. The Israeli asked for our position toward such actions.

[illegible] #1

Mr McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that while he could understand that, assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include ~~tangible~~ [illegible] material, that at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military material. This was conveyed to the Israeli.

On August 22, 1985 ~~Within days (mid August)~~ the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the US government would be to an Israeli transfer of modest quantities of material. McFarlane replied that to him, that such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the US but that a problem would arise when ultimately they needed to replace items shipped. He asked whether at that ~~time~~ Israel would be able to purchase replacements ~~[illegible]~~ for items shipped. McFarlane stated that ~~again~~ the issue was not the ability of Israel to purchase military equipment from the US--they had done so for a generation and would do so in the future--but rather the issue was whether it was US policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the

President (and to the Secretaries of State and Defense and the DCI). ~~Again~~ the President stated that while he could imagine the day coming when we might choose to support such elements with material, he could not approve any transfer of military material at that time. This position was conveyed to the Israeli diplo

EXHIBIT 58

TOP SECRET

UNCLASSIFIED SECRET

11/20/86 2000
(Historical Chronology)

#5

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

EXHIBIT
58

UNCLASSIFIED TOP SECRET

Partially Declassified/Released on 5 May 87
under provisions of E.O. 12356
by B. Reger, National Security Council

TOP SECRET
Declassify: OADR

-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

3 UNCLASSIFIED

In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have been engaged in overtures to the U.S. and Iran in an effort to stimulate direct contact between the two countries. [redacted] Turkey have all attempted to serve as interlocutors in this [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In the spring of 1985, a private American citizen (Michael Ledeen) learned from an Israeli government official (David Kimche) that the Israelis had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the Iranian officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

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Verbatim McF Chrono with word edits

On July 3, 1985, during a visit to Washington, an Israeli official (Kimche) advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high-level dialogue. The Iranians were described as comprising the principal figures of the government (i.e., Speaker of the Majlis Rafsanjani, Prime Minister Musavi, and Khomeini's heir-apparent, Ayatollah Montazeri) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli as to why he found the Iranian proposal credible, given the events of the past six years. The Israeli replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks. He noted that the Iranians had exposed themselves to possible compromise by meeting with Israelis and by passing extremely sensitive intelligence on the situation (and political line-up) within Iran -- information which was proven valid.

The Israeli asked for our position on opening such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This decision was passed to the Israeli diplomat by telephone on July 30.

added by OLN?

added?

On August 2, 1985, the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that they recognized the need for both sides to have tangible evidence of the bona fides of the other and that they believed they could affect the release of the Americans held hostage in Lebanon.

added

According to the Israeli, the Iranians separately stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of U.S. equipment. The Israeli asked for our position on such actions.

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McF chrono

Mr. McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that, while he could understand that assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible materiel; at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military materiel. This was conveyed to the Israeli.

added

On August 22, 1985, the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the U.S. Government would be to an Israeli transfer of modest quantities of defensive military materiel. McFarlane replied that to him, such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the U.S., but that a problem would arise when ultimately they needed to replace items shipped. He asked whether Israel would be able to purchase replacements for items they chose to ship. McFarlane stated that the issue was not the ability of Israel to purchase military equipment from the U.S. -- they had done so for a generation and would do so in the future -- but rather the issue was whether it was U.S. policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the Director of Central Intelligence). The President stated that, while he could envision providing materiel support to moderate elements in Iran if all the Western hostages were freed, he could not approve any transfer of military materiel at that time. This position was conveyed to the Israeli diplomat.

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

30 Aug 7.
McF chrono

In late September, we learned that the Israelis had transferred 508 TOW missiles to Iran and that this shipment had taken place in late August. The Israelis told us that they undertook the action, despite our objections, because they believed it to be in their strategic interests. The Israelis managed this entire operation, to include delivery arrangements, funding, and transportation. After discussing this matter with the President, it was decided not to expose this Israeli delivery because we

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wanted to retain the option of exploiting the existing Israeli channel with Tehran in our own effort to establish a strategic dialogue with the Iranian government. The total value of the 508 TOWs shipped by Israel was estimated to be less than $2 million.

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In mid-November, the Israelis, through a senior officer in the Foreign Minister's office (Kimche), indicated that the Government of Israel was convinced that they were nearing a breakthrough with Iran on a high-level dialogue. The Israeli contacted a U.S. official (North) and asked for the name of a European-based airline which could discreetly transit to Iran for the purpose of delivering passengers and cargo. He specifically noted that neither a U.S. carrier nor an Israeli affiliated carrier could be used. We were assured, at the time, that the Israelis were going to "try oil drilling parts as an incentive," since we had expressed so much displeasure over the earlier TOW shipment. The name of the proprietary [redacted] was passed to the Israeli, who subsequently had the aircraft chartered through normal commercial contract for a flight from Tel Aviv to Tabriz, Iran, on November 25, 1985. The Israelis were unwitting of the CIA's involvement in the airline and the airline was paid at the normal commercial charter rate (approximately $127,700). The airline personel were also unwitting of the cargo they carried.

In January, we learned that the Israelis, responding to urgent entreaties from the Iranians, has used the proprietary aircraft to transport 18 HAWK missiles to Iran in an effort to improve the static air defenses around Tehran. Our belated awareness that the Israeli's Had delivered HAWK missiles raised serious U.S. concerns that these deliveries were jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. As a consequence of U.S. initiative and by mutual agreement of all three parties, these missiles were returned to Israel in February 1986.

On December 7, the President convened a meeting in the White House (residence) to discuss next steps in our efforts to establish direct contact with the Iranians. Attending the

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meeting were the Chief of Staff, Secretaries of State and Defense; the Deputy Director of Central Intelligence, and the Assistant to the President for National Security Affairs and his Deputy. Immediately after the meeting, Mr. McFarlane departed for London to meet with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane, as instructed by the President, stated that:

-- the U.S. was open to a political dialogue with Iran, but that no such dialogue could make progress for as long as groups seen as dominated by Iran held U.S. hostages; and

-- the U.S. could under no circumstances transfer arms to Iran in exchange for hostages.

met chrono but in diff in context

These points were made directly to the Iranian interlocutor. The Iranian replied that, unless his associates in Tehran were strengthened, they could not risk going ahead with the dialogue. Mr. McFarlane acknowledged the position but stated we could not change our position. In a separate meeting with the Israeli official, Mr. McFarlane made clear our strong objections to Israeli weapons shipments to Iran. Following these meetings, Mr. McFarlane returned to Washington and shortly thereafter left active government service.

On January 2, the Prime Minister of Israel dispatched a special emissary to the U.S. (Amiram Nir) to review proposals for next steps in dealing with Iran. The Israelis urged that we reconsider the issue of providing limited defensive arms to those attempting to take power in Tehran, since all other incentives (economic assistance, medical supplies, machine parts) were of no value in shoring-up those who wanted an opening to the West. Admiral Poindexter noted our stringent objections to the HAWK missile shipments in November and noted that the U.S. would have to act to have them returned (a step undertaken in February, when all 18 missiles were returned to Israel). In that any implementation of the Israeli proposals would require the active participation of the intelligence community, the NSC Staff (North) was tasked to prepare a covert action finding. Work on this Presidential finding commenced on January 4.

On January 6, the President, the Vice President, the Chief of Staff, and the National Security Advisor and his assistant reviewed the first draft of the Finding and the recommendations made by the Prime Minister of Israel through his special emissary.

On January 7, the President met in the Oval Office with the Vice President, the Chief of Staff, Secretaries Shultz and Weinberger, Attorney General Meese, Director Casey, and the National Security

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Advisor to discuss the overall situation in Iran and prospects for a strategic dialogue. It was again noted that Mr. McFarlane, on return from his trip to London, had recommended that no further action be taken unless a mechanism could be established by which the U.S. could exert better control over events. He agreed, in principle, with Director Casey that providing limited quantities of defensive arms after the hostages were released still had merit. Both Secretary Shultz and Secretary Weinberger objected to any provision of arms, citing that we could not be sure that these would really help moderate elements and that, if exposed, the project would not be understood by moderate Arabs and would be seen as contravening our policy of not dealing with states that support terrorism. The President decided that we should attempt to keep the Israeli channel active as long as it offered possibilities for meetings with high-level Iranian officials and left open the issue of providing defensive arms to Iran if all the hostages were released.

It was further determined by the President that any dialogue with the Iranians must be aimed at achieving the following goals:

-- Devising a formula for re-establishing a strategic relationship with Tehran.

- Ending the Iran-Iraq War on honorable terms.

- Convincing Iran to cease its support for terrorism and radical subversion.

- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

The President made clear that a Western dialogue with Iran would be precluded unless Iran were willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages. Secretaries Shultz and Weinberger retained their original position on providing any amrs to Iran, but Attorney General Meese and Director Casey both supported the concept as a valid means of opening the dialogue. Attorney General Meese noted a 1981 determination by then Attorney General French Smith that transferring small quantities of arms through third countries under a Covert Action Finding was not illegal.

[redacted]

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On January 16, a meeting was held in the National Security Advisor's office with Secretary Weinberger, Attorney General Meese, Director Casey, and CIA General Counsel Stanley Sporkin. At this meeting, the final draft of the Covert Action Finding was reviewed and was forwarded to the President with Secretary Weinberger dissenting.

On January 17, 1986, the President approved a Covert Action Finding (Tab A) directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. The President futher determined that the activities authorized by the Finding justified withholding prior Congressional notification due to the extreme sensitivity of the dialogue being established. He further noted that public knowledge of the program would place the American hostages in Lebanon at greater risk. Noting his concern for the lives of those carrying out the operation (both U.S. and foreign), he directed that the Director of Central Intelligence refrain from reporting the Finding to the appropriate committees of the Congress until reasonably sure that those involved would no longer be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted]), a representative of the Israeli Prime Ministry (Amiram Nir), and a senior-level Iranian officials B. [redacted] met in London. At this meeting, the Iranians agreed that, if the USG would provide defensive weapons (TOWs) to Iran, [redacted] The U.S. side agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

-- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.

-- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.

-- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, $3.7 million was deposited in the CIA account in Geneva on February 11, 1986 and on February 14, 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DOD (U.S. Army stocks in Anniston, Alabama) and transported through [redacted] using standard CIA-DOD [redacted] logistics arrangements. Policy-level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George). The TOWs were placed in a covert Israeli facility awaiting onward shipment.

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On February 19-21, U.S. (NSC and CIA), Israeli and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the Iranians committed [redacted] After coded authorization was received from Washington, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft. On the return flight from Iran, these aircraft carried the 18 HAWK missiles which Israel had sent to Tehran in November 1985 with USG aforeknowledge.

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[redacted]

On February 24, U.S. (CIA and NSC) officials met again in Frankfurt with the Israeli and Iranian officials to discuss next steps. At this meeting, the U.S. side urged that the Iranians expedite a meeting among higher-level officials on both sides.

On February 28, the Prime Minister of Israel wrote to President Reagan (Tab B) urging continued efforts to achieve a strategic breakthrough with Iran, but asking consideration for the safety of recently seized Israeli hostages.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us through the Israeli point-of-contact that the leadership in Tehran was prepared to commence a secret dialogue

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with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya. [redacted]

The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death. [redacted]

On May 6, 7, 1986, U.S. and Israeli officers met in London with the Iranian intermediary in which he urged that we take immediate steps to arrange for a high-level U.S./Iranian meeting in Tehran. During the London meeting, the Iranian urged that we (U.S. and Israel) act urgently to help with Iranian air defense. He emphasized that the Iraqi Air Force was increasingly effective of late and that the Iranians were desperate to stop attacks on population centers. The Israelis also used this opportunity to privately ask the U.S. to replace the 508 TOWs which they had sent to Iran in August, 1985.

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors. The Israelis were informed via coded message on May 15 that the U.S. had agreed to the Iranian request for limited anti-air defense equipment and to replenish the 508 TOWs sent by Israel.

On May 16, the Iranians, through the Israelis provided $6.5M for deposit in the CIA secure funding mechanism. The funds were used to acquire 508 TOW missiles (for replenishing the TOWs Israel shipped in September 1985) and acquiring HAWK missile electronic spare parts. This material was subsequently moved to [redacted] repackaged and shipped to Kelly AFB for onward movement to Israel on May 22. As in the February shipment, the CIA provided logistics support for the movement of this materiel to Israel.

In order to ensure operational security, the McFarlane trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare

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electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] obtained from the CIA -- was used. CIA also provided covert transportation support from CONUS to Israel for the McFarlane party. The group was transported from Israel to Tehran aboard an Israeli Air Force 707 with false flag markings.

In the course of the four-day (May 25-28) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab B), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan and the Soviet threat to the Gulf) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the Western hostages in Lebanon.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

On August 3, the remaining three pallets (less than ½ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran. As in all flights to/from Iran this delivery was made with an Israeli Air Force aircraft (707) using false flag markings. Timing of the delivery was based on coordination among U.S., Israeli and Iranian officials.

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of the January Covert Action Finding, made contact in Europe with

C. [redacted] With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided assessments designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. The assessments also detailed the Soviet threat to Iran.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress.

C. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted]

The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] The Iranians have also offered to provide a copy of the 400 page interrogation of Beirut Station Chief William Buckley. At this meeting, [redacted] stated that there was a "very good chance that another American or two would be freed soon." On October 29, with U.S. acquiescence, Israel provided Iran with an additional increment of defensive weapons (500 TOW missiles).

C. Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of an American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this would be part of the purpose of the Iranian Foreign Minister's visit to Syria -- an event we became aware of on November 1, 1986. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating. [redacted] On November 2, David Jacobsen was released by his captors near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran and subsequent public speculation regarding these contacts have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a purposely distorted version of the May 1986 McFarlane mission in his November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Ayatollah Montezari, for acts of terrorism and treason has caused further internal conflict.

Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their

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loyal to the now imprisoned Mehdi Hashemi. If so, this could be an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the pragmatic faction with which we have been in contact.

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 U.S. TOWs and 235 HAWK missile electronic spare parts was undertaken within the provisions of a Covert Action Finding.

During the course of this operation -- and before -- the U.S. was cognizant of only three shipments from Israel to Iran. Specifically:

-- The Israelis acknowledged the August 1985 shipment of 508 TOWs after it had taken place. Until we were advised by the Israelis, and had the information subsequently confirmed by Iranian authorities, we were unaware of the composition of the shipment. We subsequently agreed to replace these TOWs in May of 1986.

-- The November 1985 shipment of 18 Israeli HAWK missiles was not an authorized exception to policy. This shipment was retrieved in February 1986 as a consequence of U.S. intervention.

-- The October 1986 shipment of 500 TOWs from Israel to Iran was undertaken with U.S. acquiescence. These TOWs were replaced on November 7.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

-- CIA communications officers and an annuitant to assist in various phases of the operation.

-- Sterile overseas bank accounts for financial transactions.

-- A secure transhipment point for the dispatch of U.S. military items from the U.S.

-- Transhipment of military items from the U.S. to Israel.

-- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.

-- Cleared meeting sites in Europe for meetings with Iranian officials.

-- Fabricated and alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program were judged to be inadequate to alter either the balance of military power or the outcome of the war with Iraq. They have, however, demonstrated the U.S. commitment to Iranian territorial integrity and served to support those in Iran interested in opening a strategic relationship with the U.S. U.S. efforts over the last 18 months have had tangible results on Iranian policy:

-- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).

-- Iranian direction that the hijacked Pan Am #73 would not be received in Iranian territory if it left Karachi.

-- [redacted]

-- The release of three American and at least two French hostages.

-- The initiation of an Iranian dialogue with their regional neighbors.

-- Continued delay in the Iranian "final offensive."

Finally, it must also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

All appropriate Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of our Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

EXHIBIT 59

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<HEADER>
\MSG FROM: NSJMP --CPUA TO: NSPBT --CPUA 11/22/86 16:56:33
To: NSPBT --CPUA PAUL THOMPSON

-- SECRET --

NOTE FROM: JOHN POINDEXTER

N 19124

<SUBJECT>
Subject: HFAC
<TEXT>
fyi
*** Forwarding note from NSRCM --CPUA 11/21/86 21:01 ***
To: NSJMP --CPUA

*** Reply to note of 11/21/86 19:12

-- SECRET --

NOTE FROM: ROBERT MCFARLANE
Subject: HFAC
Roger John. You must must be pretty well drained after the sessions with the Intel committees. That's not a terribly uplifting experience; I did it a time or two for Ollie. I spent a couple of hours with Ed Meese today going over the record with him. The only blind spot n my part concerned a shipment in November '85 which still doesn't ring a bell with me.

But it appears that the matter of not notifying about the Israeli transfers can be covered if the President made a "mental finding" before the transfers took place. Well on that score we ought to be ok because he was all for letting the Israelis do anything they wanted at the very first briefing in th hospital. Ed seemed relieved at that. CAroline tells me that she hwa arranged for me to meet with the HFAC on Dec 8that 2:00pm. They want it to be closed but for the record. I don't mind either way but will be guided by whatever yo all prefer.

[redacted] 6 May 1987

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[redacted]

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EXHIBIT 60

9508 Linden Ave.
Bethesda, MD. 20814
February 8, 1987

UNCLASSIFIED

1 0148

Honorable Lee Hamilton
Chairman, House Permanent Select Committee
on Intelligence
U.S. House of Representatives
Washington D.C.

Dear Mr. Chairman,

This is to add to my earlier testimony before the Committee in December, 1986. While before the Committee, questions were posed concerning my knowledge of private funding efforts in behalf of the Contras. While I took the Committee's interest to be in identifying violations of law, and replied in that context, it seems to me that in the interest of full disclosure I should add the following information although it does not fall in that category.

In May, 1984 a foreign national offered to contribute to the support of the Contras. I did not solicit the offer and when it was made, I should have told him to direct his interest to Contra representatives. I did not, and instead, learned where he should send his contribution in this country and so informed him. I have no knowledge as to the precise amount the individual donated; it was from his own wealth and not from any government. I would estimate it may have come to as much as $5 million. At no time from that moment to this date, have I ever sought, brokered or otherwise managed donations from anyone. Further I provided strict guidance to the NSC staff proscribing such activities throughout the period of the Congressional cutoff. Finally, as I testified, periodic investigation within the NSC staff elicited firm denials of any such activity by any staff member.

Sincerely

Robert C. McFarlane

Robert C. McFarlane

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Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

/ 86-465

9508 Linden Ave.
Bethesda, MD. 20814
February 8, 1987

UNCLASSIFIED

Honorable David Boren
Honorable William Cohen
Senate Select Committee on Intelligence
United States Senate
Washington, D.C.

0149

Dear Mr. Chairman and Senator Cohen,

This is to add to my earlier testimony before the Committee in December, 1986 and January, 1987. While before the Committee, questions were posed concerning my knowledge of private funding efforts in behalf of the Contras. While I took the Committee's interest to be in identifying violations of law, and replied in that context, it seems to me that in the interest of full disclosure I should add the following information although it does not fall in that category.

In May, 1984 a foreign national offered to contribute to the support of the Contras. I did not solicit the offer and when it was made, I should have told him to direct his interest to Contra representatives. I did not, and instead, learned where he should send his contribution in this country and so informed him. I have no knowledge as to the precise amount the individual donated; it was from his own wealth and not from any government. I would estimate it may have come to as much as $5 million. At no time from that moment to this date, have I ever sought, brokered or otherwise managed donations from anyone. Further I provided strict guidance to the NSC staff proscribing such activities throughout the period of the Congressional cutoff. Finally, as I testified, periodic investigation within the NSC staff elicited firm denials of any such activity by any staff member.

Sincerely

Robert C. McFarlane

Robert C. McFarlane

UNCLASSIFIED

Declassified/Released on 7 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

EXHIBIT 61

FORMS.TEXT HAS 1 DOCUMENT

J 08733

/INBOX.1 (#2059)

TEXT: VZCZCWF042
RR HQ
DE WF042 2120337
ZNY SSSSS
R 300337Z JUL 85FM: SAC, WASHINGTON FIELD (29A-5504) (C-5) (P)

TO: DIRECTOR, FBI ROUTINE

ATTN: SSA GEORGE TONE, FINANCIAL CRIMES UNIT, CRIMINAL INVESTIGATIVE DIVISION

BT

[redacted]

WILLIAM PENN BONK, 230 SOUTH BROAD STREET, PHILADELPHIA, PENNSYLVANIA; BF&E; MF; FBW; OO:PH

~~[illegible]~~

RE WFO TEL TO BU, 7/18/85.

FOR INFORMATION OF BUREAU AND RECEIVING OFFICES, ON 7/30/85, OLIVER NORTH, NATIONAL SECURITY COUNCIL, WASHINGTON, D.C. (WDC), ADVISED WFO THAT RICHARD MILLER AND PRINCE EBROHIN BIN ABDUL-AZIZ BIN SAUD L-MASOUDY (HEREAFTER THE PRINCE) ARE CURRENTLY

DS:10

R337

DECLASSIFIED
by G-3
on 4/29/87

PAGE TWO DE WF #0042 ~~S E C R E T~~

08734

.N EUROPE REPORTEDLY ARRANGING TRANSFER OF FUNDS FROM THE PRINCE NICARAGUAN FREEDOM FIGHTERS AS SET FORTH IN REFERENCED TEL. NORTH STATED THAT MILLER HAD ALLEGEDLY ATTEMPTED TO CONTACT WFO RECENTLY FOR PURPOSES OF ARRANGING AN INTERVIEW WITH THE PRINCE PERTAINING TO CAPTIONED MATTER. NO RECORDS AT WFO HAVE BEEN LOCATED TO INDICATE CONTACT BY MILLER. MILLER AND THE PRINCE ARE EXPECTED TO RETURN TO WDC ON 8/1/85. NORTH WAS ADVISED THAT WFO INTENDED TO CONTACT MILLER FOR PURPOSES OF LOCATING AND INTERVIEWING THE PRINCE AT THE EARLIEST POSSIBLE DATE.

[illegible]

BT

#0042

NNNN

EXHIBIT 62

03728

OLTBOX.4 (#6034)

TEXT, VZCZCWF033
PP HQ-NY PH SC
DE WF033 1992228
ZNY SSSSS
P 182228Z JUL 85FROM, SAC, WASHINGTON FIELD OFFICE (29-5504) (C-5) (P)

TO: DIRECTOR, FBI PRIORITY

ATTN: SSA GEORGE LANE

FINANCIAL CRIMES UNIT

CRIMINAL INVESTIGATIVE DIVISION

ADIC, NEW YORK ROUTINE

SAC, PHILADELPHIA (29A-7374) SSQ 9) PRIORITY

SAC, SACRAMENTO ROUTINE

WILLIAM PENN BANK, 230 SOUTH BROAD STREET, PHILADELPHIA, PA.,

BF&E, MF, FBW, OO:PHILADELPHIA

~~ALL MARKINGS, NOTATIONS AND ITEMS OF INFORMATION CONTAINED IN THIS COMMUNICATION ARE CLASSIFIED "SECRET" UNLESS OTHERWISE NOTED.~~

RE BUREAU TELETYPE TO WFO, 6/28/85.

FOR INFORMATION OF THE BUREAU AND RECEIVING OFFICES, ON 7/L8/85, OLIVER NORTH, NATIONAL SECURITY COUNSEL (NSC), OLD EXECUTIVE OFFICE

29-5504-6
Searched
Serialized
Indexed
Filed

DECLASSIFIED
~~by G-1~~
on 4/29/87

PAGE TWO DE WF 00033 ~~SECRET~~

BUILDING, L7TH AND PENNSYLVANIA AVENUE, NW, WDC, TELEPHONE (202) 395-3345, ADVISED AS FOLLOWS:

RICHARD R. MILLER, PRESIDENT, INTERNATIONAL BUSINESS COMMUNICATIONS, L607 NEW HAMPSHIRE AVENUE, NW, WDC, HAS BEEN DOING CONFIDENTIAL CONTRACT AND CONSULTANT WORK FOR NSC AND U.S. DEPARTMENT OF STATE FOR THE APPROXIMATE PAST 3 YEARS. MILLER'S WORK CONCERNS THE FUNNELLING OF PRIVATE FUNDS TO NICARAGUAN FREEDOM FIGHTERS WHO OPPOSE THE SANDINISTA GOVERNMENT. FOLLOWING SETS FORTH MILLER'S RELATIONSHIP TO CAPTIONED MATTER:

AT THE APPROXIMATE TIME OF THE PLANNED SECRET U.S. INVASION OF GRENEDA, NORTH WAS CONTACTED BY KEVIN KATTKE (TRUE SPELLING) DBA WEAR AND ASSOCIATES, 111 BROADWAY, SUITE 2103, NEW YORK, NY. KATTKE ADVISED NORTH THAT HE (KATTKE) REPRESENTED A GRENADIAN STUDENT GROUP WHO WERE CONTEMPLATING AN OVERTHROW OF THE COMMUNIST LEANING GOVERNMENT OF GRENADA. THROUGH CHECKING WITH NSC SOURCES, NORTH DETERMINED THAT KATTKE WAS A "RIGHT WING IDEALOGUE" KNOWN TO FREQUENTLY CONTACT U.S. GOVERNMENT DEFENSE AND SECURITY AGENCIES FOR A VARIETY OF CAUSES. NORTH CHARACTERIZED KATTKE AS LIKE A "ROUGE CIA AGENT" WHO HAS NO IDENTIFIABLE TIES WITH THE U.S. GOVERNMENT.

PAGE THREE DE WF #0033 ~~SECRET~~

DURING SOME LATER POINT IN L984, KATTKE RECONTACTED NORTH TO ADVISE THAT HE REPRESENTED A MEMBER OF THE SAUDI ARABIAN ROYAL FAMILY, PRINCE EBROHIN BIN ABDUL-AZIZ BIN SAUD L-MASOUDY (HEREAFTER THE PRINCE). THE PRINCE WAS ALLEGEDLY INTERESTED IN PLACING A LARGE SUM OF MONEY AT THE DISPOSAL OF THE NICARAGUAN FREEDOM FIGHTERS. NORTH ADVISED KATTKE THAT INASMUCH AS US PUBLIC LAW FORBID EXPENDITURES OF GOVERNMENT FUNDS TO AID NICARAGUAN INSURGANTS, IT WAS INADVISABLE FOR A MEMBER OF THE NSC (NORTH) TO MEET WITH THE PRINCE DIRECTLY. NORTH ADVISED KATTKE THAT RICHARD MILLER WOULD CONTACT KATTKE TO MEET THE PRINCE. KATTKE INSISTED THAT ALL CONTACT WITH THE PRINCE BE THROUGH HIM.

FOLLOWING KATTKE'S CONTACT, NORTH CAUSED A CHECK TO BE MADE OF AVAILABLE INFORMATION IN THE PUBLIC DOMAIN REGARDING THE OFFICIAL ROYAL SAUDI FAMILY AND NO INFORMATION LOCATED WAS IDENTIFIABLE WITH THE PRINCE. NORTH COULD NOT STATE WHETHER THIS CHECK WAS ALL INCLUSIVE. THE PRINCE HAS MANDATED THAT NO INQUIRY BE MADE OF HIS STATUS THROUGH THE SAUDI ARABIAN GOVERNMENT.

INFORMATION REGARDING THE PRINCE'S EXPRESSED INTEREST IN DONATING TO THE NICARAGUAN FREEDOM FIGHTERS WAS DISCUSSED BY NORTH PERSONALLY WITH PRESIDENT RONALD REAGAN AND NATIONAL SECURITY ADVISER

ROBERT MAC FARLANEAS RECENTLY AS JUNE, L985.

SINCE MILLER'S CONTACT WITH THE PRINCE THROUGH KATTKE, THE PRINCE HAS THUS FAR FAILED TO PLACE FUNDS IN THE HANDS OF NICARAGUAN FREEDOM FIGHTERS AS ORIGINALLY OFFERED. THERE IS SOME QUESTION AND RESERVATION, AT NSC TO THE PRINCE'S BONA FIDES AND 7/26/85, HAS BEEN INFORMALLY SET BY NSC AS THE DATE FOR THE PRINCE TO FOLLOW THROUGH OR NOT. NORTH CONFIDENTALLY ADVISED THAT NSC MAINTAINED INDIRECT CONTACT WITH THE PRINCE THIS LENGTHY PERIOD OF TIME DUE TO THE DESPERATE NEED OF PRIVATE FUNDS BY NICARAGUAN FREEDOM FIGHTERS SINCE BEING CUT OFF FROM U.S. FUNDING. THE U.S. CONGRESS IS EXPECTED TO APPROVE NEW FUNDING OF 38 MILLION DOLLARS TO THIS GROUP DURING THE WEEK OF 7/22/85.

IN JUNE, 1985, MILLER, AT THE REQUEST OF KATTKE AND THE KNOWLEDGE OF NORTH, CONTACTED THE WILLIAM PENN BANK, PHILADELPHIA, PA. REGARDING CAPTIONED MATTER. MILLER HAS MAINTAINED CONTACT WITH NORTH REGARDING THIS MATTER CONTINUALLY UP TO 7/L5/85, INCLUDING ADVISING NORTH OF MILLER'S INTERVIEW BY FBI, PHILADELPHIA. MILLER MAINTAINS THAT HE HAS DONE NOTHING ILLEGAL IN CONTACTING THE BANK.

PAGE FIVE DE WF #0033 [redacted]

MILLER ADVISED NORTH THE PRINCE IS ALLEGEDLY OUT OF FAVOR WITH THE SAUDI GOVERNMENT DUE TO HIS SHIITE MOSLEM FAITH AS THE MAJORITY OF THE SAUDI ROYAL FAMILY ARE OF THE SUNNI MOSLEM FAITH. MILLER BELIEVES OR HAS BEEN LEAD TO BELIEVE BY THE PRINCE THAT THE PRINCE'S $250,000 CHECK WAS NOT CLEARED BY THE SAUDI FRENCH BANK DUE TO THESE RELIGIOUS DIFFERENCES.

DURING MILLER'S 7/15/85 CONTACT WITH NORTH, MILLER ADVISED NORTH THAT THE PRINCE IS CURRENTLY RESIDING IN WDC. NORTH SPECIFICALLY REQUESTED THAT ATTEMPTS BY THE FBI TO INTERVIEW THE PRINCE BE HELD IN ABEYANCE UNTIL AFTER THE WEEK OF 7/22/85, DUE TO THE CRITICAL TIMING OF THE PRINCE'S POSSIBLE BUT REMOTE LARGE DONATION TO THE NICARAGUAN FREEDOM FIGHTERS. IN NO WAY DOES NORTH WANT TO INTERFERE WITH A CRIMINAL INVESTIGATION OF THE PRINCE, BUT NORTH FEELS THAT CONTACT BY THE FBI PRIOR TO NSC DETERMINATION OF THE PRINCE'S INTENTIONS MAY REVERSE ANY POSSIBILITY THAT THE PRINCE WILL FOLLOW THROUGH WITH HIS EXPRESSED INTENTION TO DONATE THIS MONEY. NORTH WAS ADVISED THAT HIS REQUEST WOULD BE KNOWN TO FBIHREQUES

BUREAU REQUESTED TO ADVISE WFO WHETHER TO HOLD IN ABEYANCE ATTEMPTS TO INTERVIEW THE PRINCE UNTIL AFTER THE WEEK OF 7/22/85 AS REQUESTED BY OLIVER NORTH, NSC.

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Chairman Fascell. Mr. Levine.

Mr. Levine. Thank you, Mr. Chairman.

Mr. McFarlane, I also want to compliment you on your ability to hang in there these many hours and thank you for it.

Mr. Berman asked you about Mr. Khashoggi, and you indicated that you had not spoken with him about this. There have also been press reports that go beyond Mr. Khashoggi that link [redacted] either directly or indirectly in the financing of this arrangement.

There was an AP report to that effect essentially alleging that the [redacted] paid for the Iranian weapons. Do you know who paid for these weapons and whether directly or indirectly [redacted] or [redacted] were involved in these payments or part of these payments?

Mr. McFarlane. I don't know. I find it very -- almost incredible that the [redacted] Government or anyone in it could have paid for them for the same reasons -- their own fear of disclosure if nothing else. I can imagine that a private [redacted] citizen might have, but I don't know that.

Mr. Levine. You have no knowledge of any [redacted] citizen or ex patriot providing any of the payments for any of these weapons?

Mr. McFarlane. No.

Mr. Levine. There have been also press reports that

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[redacted] have been indirectly involved in financing the contras. Are you aware of any such activities?

Mr. McFarlane. I have seen the reports and I have heard that [redacted] have contributed. The concrete character of that is beyond my ken.

Mr. Levine. General Secord was also linked to the [redacted] payments to the contras. Does that add up to you in any way, do you see any connection potentially or actual of a linkage between Secord and the [redacted] or the contras?

Mr. McFarlane. I have no knowledge of General Secord's involvement in these matters.

Mr. Levine. Let me go back for a moment to the questions of who paid -- well, sort of the same area. Do you know who did pay for these arms?

Do you have any idea who did pay for the arms?

Mr. McFarlane. I assume that people in Iran in the government paid for them. I don't know.

Mr, Levine. Thatleads -- gets back to the other area -- if we are dealing with moderate folks within Iran who apparently are not operating -- well, I don't know whether they are operating with the acquiescence or consent of Khomeni, but how is it that the Iranian government would be paying for the arms if we are trying to support a moderate faction within Iran?

And how is it -- let's stop with that one.

probably higher than the ones we are talking about?

Mr. McFarlane. Well, it is all a little surreal. I think highly of Lieutenant Colonel North.

Mr. Burton. Would Admiral Poindexter do this on his own?

Mr. McFarlane. I find it hard to believe. The Israelis might have taken sufficient authority from the National Security Adviser, because they would not have insisted on talking to the President, surely.

Mr. Burton. But they would have insisted on talking to somebody at least as high as Admiral Poindexter?

Mr. McFarlane. I don't know, I believe so.

Mr. Burton. Admiral Poindexter wouldn't have done this, being a military man, that is, without somebody else telling him to do so?

Mr. McFarlane. When I say I find it hard to believe, that is as confident an answer as I can give. I just don't know.

Mr. Burton. Thank you very much.

Chairman Fascell. Mr. Feighan.

Mr. Feighan. Mr. McFarlane, I would like to try and understand, as we close, what role, if any, the National Security Council had in the solicitation of funds for the contras. Earlier this morning Secretary Shultz indicated that there had been success in soliciting and pursuading at least one country to provide funding, and presumably it was intended f humanitarian purposes and presumably he was speaking about

Brunei. Did you or anyone working with you or for you at the National Security Council at any time make efforts at solicitation of other countries for contributions to the contras?

Mr. McFarlane. I did not solicit any country at any time to make contributions to the contras. I have seen the reports that various countries have, [redacted] third countries, and I have no idea of the extent of that or anything else. The fact of whether or not a subordinate did, I know of no solicitation of funds from any third country.

Mr. Feighan. Were you aware of the efforts of other members of the administration in these solicitations?

Mr. McFarlane. Well, I am not, and only in the stories in the last two days have I seen this report about what happened after, I take it, it became a legal matter, to once more do so. But I don't know if it is true or not.

Mr. Feighan. During your time of service with the government, you were not aware of any specific individuals or offices of the United States Government making solicitations that either have been reported or would be similar to that?

Mr. McFarlane. I know that I didn't, and I know of no other solicitation that ever got contributions either.

Mr. Feighan. If I could ask you further to identify what knowledge you might have and what role might have been played by the following individuals in any of these matters that we

EXHIBIT 64

Partially Declassified/Released on 11 May 1987
under provisions of E.O. 12356
by B. Reger, National Security Council

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EXCERPTS FROM ROBERT C. McFARLANE'S RECORDS
OF SCHEDULE (JULY 1, 1985 THROUGH DECEMBER 10, 1985)

DATE	TIME	DESCRIPTION
7/1/85	8:00	DCM (8:25)
	8:25	Adm John Poind(e xter (8:45)
	8:45	PDB (Dave Peterson) (9:00)
	9:30	President NSB w/JMP (w Doug McMinn w Wife Jan and Children: Rebecca & Jacob) (10:00)
	10:35	Don Fortier (10:38)
	11:03	P NSPG Meeting (Sit Rm) (see list) SEE ATTACHMENT TO EXCERPTS) (12:05)
	12:08	P Issues Brfg Lunch (Cab Rm) (1:00)
	1:09	Secy of State George Shultz joined
	1:17	Departed office w/Sec Shultz for mtg w President (1:30)
	3:30	Dir Casey called on Secure
	4:16	Poindexter (4:25)
	4:18	David Chew (4:20)
	5:26	Called Ollie North
	5:30	Howard Teicher returned call
	5:44	Sec Weinberger called on PL
	5:55	Amb Jack Matlock (6:05) and Poindexter (6:07)
	5:08	Poindexter (5:10)
7/2/85	7:24	Don Regan called (7:26)
	8:00	DCM (8:30)
	8:50	PDB (Charles Peters) (9:07)
	9:35	P/NSB (9:53) (with Secy Weinberger & JMP)
	9:53	Sec Weinberger (9:56)

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DATE	TIME	DESCRIPTION
7 2 85	12:00	FOL (Old Family Dining Rm)
	2:30	Poindexter (2:45)
	2:45	Departed office to board Presidential motorcade for P/Mtg with the former Hostages via Arlington Cemetary (participants: 39 former hostages, TWA flight crew & State, FBI, CIA Debrief Team)
	2:53	Adm Poindexter called RCM in Staff Car 1 (see attached detailed schedule)
	4:35	Sec Shultz called (4:40)
	6:01	Dir Casey with JMP (6:14)
	6:32	Amb Jack Matlock returned call
	7:30	Hosted dinner for staff who worked on Lebanon hijacking: the Fortier's, McDaniel, Poindexter's, North's, Covey's, Howard Teicher at Residence
7 3 85	9:30	P/NSB (w/Secys Shultz and Weinberger & JMP & Jack Matlock) (10:10)
	10:10	P/NSPG Mtg (Sit Rm) (w/General Gabriel, acting CJCS; AttyGen Ed Meese, Don Regan WHCS, Poindexter, SecState Shultz; SecTreas Jim Baker; SecDef Weinberger and CIA DepDir John McMahon) (11:25)
	11:25	Returned to office with Sec Weinberger (11:27
	11:28	P/Sec Shultz mtg in Oval Office (11:45)
	1:20	Admiral Poindexter (1:25)
	1:25	Sec Shultz Press Conf - 450 EOB)
	2:35	Mtg w/David Kimche, Eliyahu Advidan, Meir Rosenne, Elyakim Rubinstein-Migal w/Jock Covey and Howard Teicher
	6:32	Called Jack Matlock
	6:39	Jack Matlock called
	6:45	Poindexter (6:00)
	6:51	Called Bob Linhard

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DATE	TIME	DESCRIPTION
7 3 85	6:58	Paul Thompson (6:59)
7 5 85	8:35	PDB Dave Peterson, CIA)
	9:50	To Residence to see President Reagan (9:[illegible])
	11:05	Jackie Tillman, NSC staff member (11:30)
	11:42	Called in from Sit Rm for messages. Said he completed secure call(s) and was calling Don Regan now
	2:55	Meeting with Gen Matt Caulfield (3:00), Rod McDaniel & Poindexter (3:30)
7 6 85	9:43am	Elliott Abrams (State Dept-ARA) called
	11:26am	Bob Linhard (11:40)
	4:16pm	The President called from Camp David -- contacted RCM in WH car and advised that he should return call when he reached his residence. RCM agreed to do.
7 8 85	8:00	DCM (8:30)
	8:35	Called Don Regan (8:38)
	8:45	PDB - Charles Peters (9:00)
	9:30	P/NSB w/JMP (10:00)
	10:20	P/DEP WH en route DAR Constitution Hall for Speech to ABA (11:11)
	11:52	P/Brfg Lunch w/The VP (Cabinet Room) (1:25)
	1:30	P/Budget Briefing (Oval Office)
	3:40	JMP (4:08)
	4:30	To Don Regan's Ofc (5:00)
	7:58	JMP (8:04)
7/9/85	8:00	DCM (8:15)
	8:35	Dave Peterson (8:47)
	8:50	To Vice President's ofc to meet w/VP (9:02)

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DATE	TIME	DESCRIPTION
7/9/85	9:30	P/GOP Congressional Leadership (Cabinet Room) (10:30)
	10:30	P/NSB w/JMP (10:50)
	11:00	Vice President called (PL) (11:02)
	11:00	Adm Poindexter (11:03)
	11:30	P/Brfg for Reg'l Press Lunch (Oval) (12:05)
	2:05	P/Brfg f NYT Magazine Interview (Oval) (2:37
	4:05	Secy Weinberger (4:10)
	4:10	JMP (4:15)
	5:20	Ollie North (5:42)
	5:48	Bob Linhard (6:01)
	6:21	JMP (6:22)
	6:44	JMP (6:50)
	8:04	JMP (8:07)
7/10/85	7:30	S-W-M Breakfast w/Defense (8:40)
	9:30	P/NSB w/JMP & Gen Vernon Walters (10:00)
	10:02	Mtg w/Larry Speakes, Ed Djerejian, Karna Small and JMP re Counterterrorism (10:07)
	10:03	JMP departed RCM's mtg
	6:29	JMP (6:50)
	6:56	Don Regan called on PL
	7:10	To JMP's ofc (7:14)
7/11/85	9:14	Returned call to Secy Weinberger on secure (9:19)
	9:19	JMP (9:30)
	9:30	P/NSB w/JMP (9:50)
	9:50	JMP & Don Fortier (10:04)
	10:08	John Whitehead called on PL (10:22())

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DATE	TIME	DESCRIPTION
7/11/85	10:14	JMP (10:15)
	10:22	Ken Quinn w Secy Shultz' party in Kuala Lumpur (10:24)
	10:25	John Whitehead called on PL (10:28)
	11:09	Don Regan's ofc (11:18)
	11:23	Don Regan re PFIAB (Ryan's ofc) (11:30)
	11:30	John Whitehead called on PL (11:38)
	11:34	President called on PL (11:36)
	5:00	Dir Casey, John McMahon, Ken de Graffenreid (5:58) Adm Poindexter (6:14)
7/12/85	8:00	DCM (8:40)
	9:30	P NSB w/JMP (9:45)
	9:45	Birthday party for RCM w/PBT, JMP, WGM, TED & [illegible]
	9:50	President & VP arrive to birthday party (10:08)
	9:52	Karna Small, Bob Pearson, Don Regan, Jim Kuhn, Craig Fuller, Tom Dawson, Don Fortier (10:07)
	4:49	To Regan's office (4:55)
	5:26	Secy Weinberger on secure (5:35)
	5:41	Secy Shultz on secure (line down-call again)
	5:45	RCM called Don Regan (5:46)
	5:47	Secy Shultz called secure (5:53)
	5:53	To Don Regan's office (6:00)
	7:08	RCM to Don Regan's office (7:11)
	7:20	RCM to Don Regan's office (7:37)
7/13/85		Departed Residence for Bethesda Naval Hospital to see the President

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DATE	TIME	DESCRIPTION
7 13 85	8:55	The Vice President called on Secure to RCM at Hospital
	10:26	Called Secy Weinberger on Secure
	10:44	Mike Ledeen
	11:15	To Don Regan's office to join David Chew, Al Kingon, Tom Dawson in conference call to Don Regan
	11:30	Returned to meeting with Mike Ledeen (11:40
	11:30	Don Fortier (11:32)
	3:10	SecWeinberger called on Signal
	3:42	Don Regan called on Signal
7 15 85	8:00	DCM (8:30)
	9:30	Called Secy Weinberger on PL
	9:34	Don Regan (9:40)
	10:19	Vice President called on PL
	12:00	P.Four weeks planning luncheon mtg (1:00)
	4:30	JMP (4:40)
	6:55	Vice President called
7 16 85	8:00	DCM (9:15)
	9:16	Secy Shultz called from overseas
	11:10	AG Ed Meese called from London
	11:22	Called Secy Weinberger secure (11:27)
	11:33	Don Regan called from Bethesda Hospital
	12:17	Michael Ledeen (12:31)
	3:27	John Whitehead, Dep Under State called on PL
	3:35	Vice President called on PL
	3:36	To see Vice President (3:40)
	4:02	Dir Casey ret'd RCM's call secure

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DATE	TIME	DESCRIPTION
7/16/85	4:45	To JMP's office (4:50)
	6:53	To JMP's office (6:54)
7/17/85	7:00	S-W-M Breakfast at State (8:45)
	9:00	DOM (9:45)
	1:10	Called Bob Linhard
	1:30	JMP's office (1:33)
	3:00	Vice President (3:37)
	7:10	JMP (7:30)
7/18/85	8:30	DOM (9:00)
	9:06	JMP (9:08)
	9:50	Mtg w President at Bethesda Naval Hospital
	1:26	US Amb to Israel Thomas Pickering w Jock Covey (2:10)
	5:34	Larry Speakes, Ed Djerejian, Karna Small and (5:35) JMP (5:42)
	6:42	To Don Regan's ofc (6:43)
7/19/85	8:00	DOM (8:34)
	8:50	John Souders - PDB (9:00)
	9:00	Don Regan called on PL
	9:40	Secy Shultz called on PL
	9:45	Secy Shultz called on PL
	10:30	Mtg w/President at Bethesda Hospital
	11:00	P/Secy Shultz at Bethesda Hospital
	12:25	Returned Secy Weinberger's call in San Francisco (12:32)
	5:23	JMP (5:26)
7/20/85	10:11	Arrived in Office from Breakfast at State Department

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DATE	TIME	DESCRIPTION
7.20.85	10:17	Director Casey called on Secure Line
	10:45	Admiral Poindexter (11:02)
	11:59	Admiral Poindexter (12:05)
	12:20	To Admiral Poindexter's Office (12:21)
	12:30	To Greet President on South Lawn (12:42)
	1:15	To Don Regan's Office (1:16)
7 22 85	8:00	DCM (8:30)
	8:52	Called Bill Martin on PL
	8:57	JMP (9:00)
	9:15	Don Regan returned call
	9:40	Dir Casey, CIA called secure
	9:45	Departed for Presidential Residence w JMP for P NSB (10:17)
	10:17	Mtg w National Security Advisors (Sit Rm) (11:31) (List of Participants attached) [SEE ATTACHMENT TO EXCERPTS]
	12:35	Called Don Regan on PL
	12:37	Called Secy of State George Shultz on PL
	2:00	Mtg w/Secy Shultz and Amb Paul Nitze (Secy's ofc) (3:05)
	4:50	Dr. Fred Ikle (Under Secy, OSD), Richard Perle (Asst Secy, OSD), and Ron Lehman (5:31)
	5:50	Director Casey, CIA secure
	6:25	JMP (6:28)
	6:40	JMP and Don Fortier (6:52)
7.23,85	8:00	DCM (8:37)
	8:45	John Souder[s] - PDB (8:55)
	9:03	Don Regan's office (9:10)

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DATE	TIME	DESCRIPTION
7 23 85	9:45	Departed for mtg in residence w President, Secy Shultz, and Don Regan to brief for Chinese visit - then directly to mtg with Chinese President in Blue Room - see attached list. (SEE ATTACHMENT TO EXCERPTS) (11:00)
	11:25	Ollie North ret'd call
	11:30	JMP (11:32)
	5:28	Rec'd call fr Secy Weinberger on secure
	6:09	FBI (6:10)
7 24 85	10:50	Departed for P NSB in residence with JMP (11:00)
	12:30	Howard Teicher (12:55)
	4:35	The Vice President & Vice Premier of PRC Li Peng, Craig Fuller and two aides (4:37)
	6:48	JMP (6:58)
7 25 85	9:50	P NSB w/JMP in residence (10:10)
	10:15	P/Cabinet Mtg in Cabinet Room - see attached (SEE ATTACHMENT TO EXCERPTS) (11:08)
	2:00	Don Fortier (2:12)
	2:05	JMP (2:12)
	4:00	VP's Task Force Mtg on Combatting Terrorism w/JMP in Roosevelt Rm (4:50)
	5:02	CIA Dir William Casey, DDC John McMahon, JMP and Vince Cannistraro (Coffee was served) (5:42)
	5:45	Bill Martin, NSC Exec Secy (5:48)
	5:48	RCM called Don Regan on PL (5:50)
	6:08	Bill Martin, NSC Exec Secy (6:09)
	6:15	Ollie North, NSC Staff called
	6:50	JMP (7:08)
	7:30	Don Fortier, NSC Spec Asst to Pres (7:35)

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DATE	TIME	DESCRIPTION
7 26 85	8:00	Don Fortier & JMP (8:12)
	8:22	Charles Peters, PDB (8:36)
	9:00	DCM (9:30)
	9:50	To brief President - NSB
	10:00	P NSC Mtg (residence) - see attached list SEE ATTACHMENT TO EXCERPTS] (11:07)
	12:15	Amb Ephraim Evron - lunch in office (1:45)
	3:06	Ron Lehman (3:11)
	3:12	Amb Jack Matlock (3:52)
	3:30	JMP (3:52)
	4:45	JMP (4:50)
	4:52	Secy Shultz ret'd call on secure fr California (5:15)
	5:31	JMP & Don Fortier (5:38)
7 27 85	9:18	John McMahon, DDCI, returned call
	9:27	Bill Casey, DCI, Returned call from New York
	9:30	Called Clair George at CIA on secure phone
	10:32	Returned Clair George's call on secure
	10:40	Sec. Weinberger called on PL
	11:15	Sec. Weinberger called on PL
	12:15	Don Regan called on signal
	12:26	The President called on secure from Camp David (12:34)
	1:12	Sec. Weinberger called on secure
	1:42	Bill Casey called on secure
	1:52	Ollie North called on Sit Room PL
	2:18	John Poindexter (2:40)
	3:33	John Poindexter (3:35)

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DATE	TIME	DESCRIPTION
7/29/85	9:16	JMP (9:24)
	9:25	Rec'd Secy Weinberger's call on PL
	9:50	To brief President w/JMP in Oval Office (10:10)
	11:00	To meeting w/President & Adm William J. Crowe - new designee for C/JCS w Defense Secy Weinberger (11:15)
	11:20	JMP (11:22)
	5:55	JMP & Ollie North (6:42)
	5:58	Defense Secy Weinberger called on PL
7/30/85	8:00	DCM (8:30)
	8:30	John Souders - PDB (8:45)
	8:33	JMP (8:34)
	9:00	Defense Secy Weinberger called on PL
	9:50	President's National Security Briefing w JMP (10:10)
	11:46	David Kimche, Director General, Minister of Foreign Affairs (Israel) called from Israel
	3:30	To briefing on Strategic Plans w JMP in Sit Room. Attending: Gil Rye, Bob Linhard, Richard Friddy (Army) and Rankin Clinton (Army)
	4:10	Admiral Wm. J. Crowe, Jr. C/JCS designate w/JMP (5:14)
	5:12	President called RCM over WH line
	5:29	JMP (5:33)
	8:05	Called David Chew
7/31/85	9:32	Called Charlie Hill (who is) with DOS Secy Shultz in Helsinki
	9:40	JMP (9:50)
	9:50	P/NSB w/JMP in Oval Office (10:10)

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DATE	TIME	DESCRIPTION
7 31 85	10:16	Mtg with Moroccan Prime Minister Mohamed Karim-Lamrani (Alec Toumayan, DOS interpreter) and Howard Teicher (coffee served for 4 people
	11:20	President's briefing for Senior WH Staff in State Dining Room (11:50)
	12:00	Secure phone call w Secy Shultz - calling the President from Helsinki
	12:10	JMP (12:12)
	1:33	JMP (1:34)
	1:34	To meeting with hostage families in Sit Room with Ollie North - list attached (SEE ATTACHMENT TO EXCERPTS) (2:50)
	3:04	Don Regan called on PL
	3:28	JMP (4:22)
	5:43	JMP (5:45)
	6:27	JMP (6:31)
	6:40	Bob Linhard, Don Mahley and Bill Wright (6:50
8 1 85	8:00	DOM (8:30)
	8:35	JMP (8:40)
	8:57	Charles Peters - PDB (9:03)
	9:50	The President/National Security Briefing w/Admiral Poindexter and Don Fortier (10:14)
	10:18	David Chew (10:23)
	10:35	Called David Laux
	10:55	Bob Linhard called
	12:30	Mtg in Don Regan's ofc on budget matter (12:50)
	1:52	The President called (1:54)
	2:05	JMP (2:20)
	2:20	Called Secy Weinberger

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DATE	TIME	DESCRIPTION
8/1/85	3:20	Departed for mtg on Public Affairs in Ward Room - see attached list (SEE ATTACHMENT TO EXCERPTS) (3:58)
	3:58	David Chew (4:00)
	5:15	VP Bush (5:17)
	5:17	Dir Casey, John McMahon & JMP (5:54)
	6:45	JMP (6:53)
	6:59	VP called secure
	7:03	JMP (7:15)
	7:36	RCM to JMP's ofc (7:37)
8/2/85	8:00	DOM (8:30)
	8:35	PDB (Dave Peterson) (8:43)
	9:50	P/NSB (10:10)
	10:15	P/NSPG Mtg (Cabinet Room) - list attached (SEE ATTACHMENT TO EXCERPTS) (11:10)
	11:10	P/Secy Shultz then directly to:
	12:00	Family Group Luncheon w/Secy Shultz, Secy Weinberger and Dir Casey (Old Family Dining Rm, Residence)
	2:46	Secy Shultz called on PL
	3:00	David Kimche, Director General, Ministry of Foreign Affairs, Israel (coffee served) (4:29)
	4:45	JMP (5:05)
	5:15	JMP (5:30)
8/3/85	10:45	J[e]ck Covey returned call
	11:15	Bob Linhard, Bill Wright, Don Mahley (11:35)
	12:46	Secy Shultz returned call
8/5/85	8:00	DOM (8:40)
	9:51	P/NSB (10:35)

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DATE	TIME	DESCRIPTION
8/5/85	10:52	The President called on PL
	10:53	Called Bill Martin on PL
	11:00	The President pre-brief for mini-press conference (11:02)
	12:30PM	Ollie North and Vince Cannistraro (12:50)
	7:49	David Chew (7:51)
	8:03	Called Secretary of State Shultz at home
8/6/85	8:00	DCM (8:15)
	8:30	Dave Peterson - PDB (8:45)
	9:30	P NSB (10:03)
	10:30	Don Fortier
	10:45	State Secy Shultz ret'd call secure
	10:55	Defense Secy Weinberger & Gen John Vessey C JCS (10:59)
	11:05	P Secy Weinberger & Gen Vessey, Vice President Bush, Don Regan
	11:30	P/Mtg w/Sen Robert Byrd (D-WVA) (12:00)
	12:10	To see the President (12:11)
	12:12	To see the President (12:15)
	1:00	Secure conference call w/the Vice President, Secy Shultz, Secy Weinberger, CIA Director Bill Casey, Don Regan and Gen John Vessey (Don Fortier monitored) (1:17)
	1:47	Meeting with the President and Secy Shultz (1:55)
	2:37	Called Secy Shultz on PL (2:35)
	2:43	RCM called Don Regan on PL
	4:37	The Vice President called
	5:08	Bill Martin, Don Fortier and Paul Thompson (5:15)

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DATE	TIME	DESCRIPTION
8.6.85	5:09	Don Regan called on PL
	6:03	Dave Major and Vince Cannistraro (6:15)
	6:40	Ret'd Secy Shultz' call
	7:00	Called Ollie North secure
8.7.85	7:25	Departed for B-W-M Breakfast (8:45)
	9:32	P/NSB w Dave Majors, Don Fortier and Steve Sestanovich (10:35)
	10:35	Don Regan's office
	11:00	P/NSPG - Sit Room - see attached list (SEE ATTACHMENT TO EXCERPTS) (12:10)
	1:52	P/Mtg w/Economic Policy Council (Cabinet Rm) (2:37)
	3:07	Vice President Bush (3:15)
	3:33	David Chew (3:34)
8.9.85	7:31	Don Fortier
	8:00	DCM (8:35)
	8:45	Charles Peters - PDB (8:55)
	9:25	P/NSB - Oval Office (9:52)
	10:00	To see the President
	11:00	P/JCS Meeting in the Cabinet Rm - See attached list (SEE ATTACHMENT TO EXCERPTS) (12:05)
	12:10	POL in Family Dining Rm w/Defense Secy Weinberger, State Secy Shultz, and CIA Director Casey (1:00)
	1:10	P/Secy Shultz (1:30)
	2:25	Secy Shultz (2:30)
	2:30	Bill Martin (2:33)
	2:35	Mtg w/Don Regan, Fred Ryan, Bill Martin in Don Regan's office (2:55)
	2:55	Bill Martin (3:00)

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DATE	TIME	DESCRIPTION
8/9/85	3:05	Droppy Mtg w/Roy Godson, Terry Sleaze and Ollie North in the Sit Room (3:15)
	6:10	Don Fortier (6:17)
	6:27	Called Ollie North
	6:38	Ollie North & Karna Small (6:55)
8/10/85	11:05	Called Don Regan at home on WH
	3:31	Jack Matlock & Bob Linhard (4:05)
8/24/85	12:38	DOS Asst Secy Richard Murphy, Amb Thomas Pickering, Jock Covey and Howard Teicher (1:38)
8/26/85	3:00	Secure conference call on Jordan Arms Sales w DOS Secy Shultz, DOD Secy Weinberger, WH Cong Liaison Max Friedersdorf, WH COS Don Regan, and Al Keel, OMB (3:43)
	3:45	CIA Dir Casey called
	4:00	Secure conference call on NHAO w Ken Cribb (Atty Gen Ofc), Under Secy of State Mike Armacost, Alton Keel (OMB), Rick Hauser, Ollie North, & Paul Thompso[n] of NSC (4:10)
	4:20	Called ADM Poindexter secure
	4:33	Called CIA Director Casey
	6:17	Howard Teicher and Rod McDaniel (6:26)
	6:30	Ret'd DOS Dep Secy John Whitehead's call
8/27/85	9:10	PDB - John Souders (9:14)
	10:00	NSPG Conf call w/DOS Secy Shultz, DOD Secy Weinberger, Chairman JCS GEN Vessey, CIA Dir Casey & JMP (10:20)
	10:27	NSPG call continued
	10:40	Jack Matlock called
	11:22	Called Atty Gen Ed Meese - Meese WCB
	12:57	Secy Shultz ret'd RCM's call
	3:47	Don Regan ret'd RCM's call (3:57)

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DATE	TIME	DESCRIPTION
8 27 85	4:26	Called DOS Asst Secy Chet Crocker (AFN) secure (4:36)
	6:47	Ret'd Secy Shultz' call (6:55)
8 28 85	9:15	Dave Peterson - PDB Briefer
	9:42	Mike Ledeen (10:15)
	3:38	Paul Thompson (3:50)
	5:33	Paul Thompson (5:43)
	6:20	Ollie North (7:13)
	7:35	Called Ollie North secure
	8:38	Paul Thompson
8 29 85	8:18	DOD Secy Caspar Weinberger called (8:22)
	9:00	Amb Jack Matlock (9:03)
	9:07	CIA Director William Casey called
	9:15	PDB - John Souders (9:22)
	10:15	Called DOS Secy Shultz at his residence [redacted] (10:19)
	10:35	Called Don Regan at his residence (10:40)
	11:03	Secy Shultz called from [redacted] (11:06)
	1:13	Called Howard Teicher secure
	2:34	Ret'd call to Ollie North secure
	3:06	DOS Dep Secy John Whitehead called (3:08)
	3:19	Called DOS Asst Secy for African Affairs, Chet Crocker
	3:30	DOD Secy Weinberger called secure (3:40)
	3:48	Secy Shultz phoned
	4:12	Signal connected call to Don Regan (either in vehicle or on his boat) (4:20)
	4:22	Secy Weinberger called

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DATE	TIME	DESCRIPTION
8 29 85	5:12	CIA Dir Casey, John McMahon and Ken de Graffenreid (5:58)
	6:04	Called Ollie North secure
8 30 85	7:00	DOS Secy Shultz called (7:40)
	9:07	PDB - Dave Peterson (9:13)
	9:19	Paul Thompson (9:23)
	10:00	Amb Cranwell Montgomery (10:11) and Howard Teicher (10:16)
	11:05	Viewing 2 Classified Project Films (10 min ea w/John Douglass & Ollie North (Don Fortier's ofc) (11:54)
	12:49	Ret'd Ollie North's call secure
	1:05	Called Adm JMP in Santa Barbara
	1:49	Atty Gen Ed Meese ret'd RCM's call (1:53)
	3:58	Atty Gen Ed Meese ret'd RCM's call
	4:08	Don Regan called secure
	4:45	Bill Martin (5:50)
	5:50	to the Vice President's office (4:53)
	5:13	DOS Dep Secy John Whitehead called
	5:25	Called Ollie North
	5:50	Howard Teicher called
	8:46	Bill Martin, Bob Pearson & Paul Thompson
	9:40	Ollie North (10:05)
	9:32	Bill Martin joined above meeting (9:38)
9 3 85	8:00	DCM (8:20)
	8:20	PDB - Dave Peterson (8:30)
	9:33	P/NSB w/JMP
	9:45	P/Suzanne Massie & Amb Jack Matlock (Oval) (10:30)

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DATE	TIME	DESCRIPTION
9 3 85	10:45	Ret'd Don Regan's call
	11:02	P NSPG - See Attached List (SEE ATTACHMENT TO EXCERPTS) (Sit Room) (12:17)
	12:19	JMP (12:20)
	12:25	Family Group Luncheon (1:31)
	3:51	Called State Secy Shultz on PL (4:05)
	4:16	Atty Gen Ed Meese called
	4:49	Secy Shultz ret'd call
	5:06	to Don Regan's Ofc (5:07)
	5:36	to Don Regan's Ofc (5:50)
	5:51	Called Don Regan on PL (5:52)
	6:08	Paul Thompson (6:15)
	6:20	Secy Shultz called on PL
	7:00	Bob Linhard called secure
	8:20	Ollie North (8:35)
9 4 85	7:30	Shultz-Weinberger-McFarlane Breakfast Mtg w/JMP (8:35)
	8:50	PDB - Charles Peters (9:00)
	9:33	P/NSB with JMP
	1:00	Ray Hunt (Hunt Oil), Howard Teicher and Don Gregg (VP's National Security Advisor) (1:27)
	1:30	P/Mtg w/Secy Shultz (2:22) President ret'd King Hussein's call w Secy Shultz and RCM in attendance
	2:55	Don Fortier
	3:30	Defense Secy Weinberger joined LSG Mtg w Joe Wright (Actg Dir OMB) (4:07)
	6:47	JMP (7:31)
9 5 85	7:27	Secy Shultz

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DATE	TIME	DESCRIPTION
9/5/85	8:18	John Souders - PDB
	8:45	To DCM and then to residence to see President (9:20)
	9:30	Called Ollie North secure
	10:10	Ollie North - Paul Thompson join(ed) (10:25)
	10:30	Departed for Mtg w/Secy Shultz & Secy Block at State Department (11:30)
	11:30	Ret'd Atty Gen Ed Meese's call
	11:44	Called JMP in Raleigh, N.C. with President
	2:00	Ollie North ret'd RCM's call
	3:00	NSPG - Sit Room - list attached (SEE ATTACHMENT TO EXCERPTS) (4:25)
	5:10	CIA Dir Wm Casey, JMP and Ken de Graffenreid (5:50)
	5:50	To W. Lobby w/Dir Casey (6:02)
	6:10	JMP (6:51)
	7:10	Called Secy Shultz on PL (7:16)
	7:35	Called Secy Shultz on PL (7:36)
	7:49	JMP
	8:01	Ollie North (8:30)
9/6/85	7:30	CEA Breakfast Mtg at State w/Secy Shultz, Beryl Sprinkle and Thomas Moore
	9:00	David Chew (Dep to COS) & Al Kingon (Cabinet Secy!); (9:02)
	9:07	Phil Ringdahl (9:17)
	9:17	Admiral Poindexter
	9:23	Secy Shultz ret'd call (9:24)
	9:30	Dennis Thomas (Asst COS), David Chew & Rusty Brashear (9:30)

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DATE	TIME	DESCRIPTION
9/6/85	9:30	P/NSB w/Adm Poindexter and Phil Ringdahl (10:15)
	10:15	to JMP's ofc
	10:20	Called Secy Shultz on PL
	11:10	Amb Richard Burt in JMP's ofc
	11:17	Roger Robinson, Steve Danzansky, Alix Platt, Bill Martin (11:37)
	1:40	P Secy Shultz, then directly to EPC Mtg in Roosevelt Room - See attached (3:30)
	5:47	Ret'd fr SACG Mtg w Don Regan (5:48)
	6:37	Admiral Poindexter (6:49)
	6:49	Don Fortier (6:50)
9/7/85	9:57am	Michael Ledeen (10:30)
	10:55am	Phil Ringdahl (11:05)
	11:06am	Gaston Sigur w/JMP (11:09)
	11:14am	Phil Ringdahl (11:16)
	12:30pm	Jock Covey (12:55)
	12:33pm	Don Regan called
	1:11pm	Called Don Regan
	2:29pm	Ret'd Secy of State George Shultz's call on PL
	2:41pm	Secy Shultz called on PL
	2:58pm	Admiral John Poindexter w Chris Lehman (3:00 pm)
	3:36pm	The President called from Camp David (3:40)
	4:36pm	Returned David Kimche's call (Director General, Ministry of Foreign Affairs, Israel)
	4:43pm	Called Don Regan
	5:00pm	Amb Jack Matlock w/JMP (5:55)
	5:27pm	Secy of State George Shultz called on Signal

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DATE	TIME	DESCRIPTION
9 7 85	5:55pm	Adm John Poindexter (6:11)
	6:09pm	Secy of State George Shultz called on Signal
	6:30pm	Adm John Poindexter (6:44)
	7:05pm	Adm John Poindexter w/David Chew and Dennis Thomas -- readout of Telcon w/Sen Helms (7:15
9 9 85	8:00	DOM (8:28)
	9:30	P NSB with Admiral Poindexter and Ambassador and Mrs. Dick Fairbanks (for photo op) (10:00
	10:10	P Briefing in study on South Africa (10:30)
	10:30	Secy Shultz, Chet Crocker (Asst. Secy of State for African Affairs), Bernard Kalb (State Dept. Spokesman)
	10:45	Press briefing in Press Room with Secy Shultz on South Africa - RCM made remarks
	1:30	Ed Meese, Attorney General, & Admiral Poindexter (2:00)
	2:00	P EPC Meeting (3:08)
	4:00	P Briefing for interview with College Radio Stations, Oval Office (4:30)
	4:40	Called Phil Ringdahl
	7:05	Admiral Poindexter (7:13)
9 10 85	8:15	DOM (9:02)
	9:02	Admiral Poindexter (9:07)
	9:20	Ret'd Defense Secy Weinberger's call
	12:08	FGL - Secy Weinberger, Secy Shultz & CIA Dir William Casey
	12:15	David Kimche ret'd RCM's call
	1:02	Presidential Mtg w/Don Regan, Admiral Poindexter, Amb Jack Matlock, and Bob Linhard (1:45)
	1:45	Admiral Poindexter, Amb Matlock and Bob Linhard (1:55)

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DATE	TIME	DESCRIPTION
9 10 85	3:40	Admiral Poindexter called RCM in his car
	7:00	Stepped into Paul Thompson's Ofc to take secure call to U.S. Amb to Lebanon, Reginald Bartholo(m)ew. Call unrelated to visitor, but had been previously scheduled (7:10)
	7:20	Paul Thompson (7:25)
	11:20	Ollie North (11:31)
9 11 85	8:20	Arrived office from S-M-W-breakfast at State
	8:30	Dave Peterson - PDB (8:50)
	9:27	Amb. Reginald Bartholomew, our Amb. to Lebanon called on secure
	11:00	Director Casey called on secure
	11:07	To see President (11:08)
	11:10	Called Secretary Weinberger on secure
	11:16	To see President (11:30)
	1:35	Called Amb. Reginald Bartholomew, our Amb. to Lebanon, on secure
	1:46	P/Sec. Shultz (2:35)
	5:10	Returned to office/departed for: NSC Staff Meeting, Rm. 208, OEOB
	6:30	Returned to office/Admiral Poindexter
9 12 85	8:00	CIA Dir William Casey Ret'd RCM's Call (car connection)
	8:25	DCM (8:31)
	8:35	Called Director Casey secure
	8:55	Departed w/President on Marine for Flight to Andrews AFB for trip to Tampa, Florida (9:10)
	4:55	Admiral Poindexter (4:56)
	5:02	State Secy Shultz called secure
	5:09	To JMP's Office (5:11)

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DATE	TIME	DESCRIPTION
9 12 85	5:11	Dir Casey and Ken de Graffenreid (5:56)
	5:14	JMP joined above Meeting (6:16)
9 13 85	8:00	DCM (8:50)
	8:50	Dave Peterson - PDB (9:02)
	9:10	Defense Secy Caspar Weinberger (9:20)
	9:30	P NSB - Photo Op w Amb Max Kampelman, Sen John Tower, and Maynard Glitman (attached list) [SEE ATTACHMENT TO EXCERPTS] (9:50)
	9:50	Called Amb Jack Matlock
	10:00	RCM to Oval Office (10:16)
	10:24	Admiral John Poindexter (10:32)
	10:32	CIA Dir Wm Casey called secure
	10:38	Called Michael Ledeen
	11:00	P Mtg in Sit Room - (list attached) [SEE ATTACHMENT TO EXCERPTS] (12:08)
	12:08	Ret'd fr. mtg w Dir Casey (12:15)
	1:30	P/Secy of State George Shultz (2:11)
	6:02	Called Ron Lehman secure
	6:41	Admiral Poindexter (6:50)
	7:11	To Admiral Poindexter's ofc
	7:24	Called Secy Shultz
	7:29	Called Secy Weinberger at home
9 14 85	8:00	Director Casey called on secure
	8:05	Breakfast with Sec. Shultz (8:38)
	8:38	Came up to office with S[h]ultz (9:14)
9 16 85	8:05	Ollie North & Admiral Poindexter (8:21)
	8:22	Called Michael Ledeen
	8:27	Admiral Poindexter

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DATE	TIME	DESCRIPTION
9/16/85	9:05	Admiral Poindexter (9:10)
	9:28	Ollie North called on secure
	9:37	P/NSB - Oval Office (9:51)
	9:51	To Situation Room w President for Meeting with Linda Chavez and CEO's
	10:10	Admiral Poindexter
	10:22	CIA Director William Casey called
	10:50	Secretary Shultz (11:02)
	11:20	Called Secretary Shultz on Personal Line
	11:43	Called Admiral Poindexter from Jim Kuhn's office
	12:10	Returned Secretary Weinberger's call on Private Line
	12:20	Dr. Fred Ikle, Under Secretary of Defense for Policy, called on secure
	12:30	Returned Director William Casey's call
	1:20	Admiral Poindexter
	1:25	Mike Ledeen called
	5:29	Returned Ollie North's secure call
	5:33	Returned Secretary Weinberger's Call
	7:10	Admiral Poindexter (7:30)
	7:25	Ollie North called secure
9/17/85	8:05	DCM (8:20)
	8:45	Ollie North called secure
	9:30	P/NSB w/Admiral John Poindexter (JMP) (10:20)
	10:20	JMP (10:30)
	10:45	Secy Shultz ret'd RCM's call
	11:05	Don Regan ret'd RCM's call

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DATE	TIME	DESCRIPTION
9/17/85	12:00	Family Group Lunch - Secy Weinberger, Secy Shultz and CIA Director Casey (Sit Room) (1:20)
	1:30	Michael Ledeen called secure
	2:16	Asst Defense Secy Richard Perle called
	3:00	Secy Weinberger called on PL
	3:40	Ron Lehman
	4:05	JMP (4:15)
	4:15	Called Don Regan on PL
	4:40	JMP (4:50)
	4:55	Called David Kimche, Director General, Ministry of Foreign Affairs - Israel (5:00)
	5:10	Called Michael Ledeen
	5:20	JMP (5:30)
	5:58	Called Bob Linhard secure
	6:15	Called Secy Weinberger on PL
	6:38	Called Secy Shultz on PL
	7:15	Called Secy Shultz on PL
	7:38	To Residence w/Don Regan & Larry Speakes, then on to P/Press Conference
	8:45	JMP (8:50)
	8:54	JMP (8:55)
9/18/85	5:55	Admiral John Poindexter (6:15)
9/19/85	9:16	Secy of Defense, Caspar Weinberger called on PL
	9:25	P MTG w JMP - list attached (SEE ATTACHMENT TO EXCERPTS) (10:07)
	4:25	JMP
	5:10	CIA Dir Wm Casey and John McMahon (5:59) with JMP and Ken deGraffenreid (6:04)

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DATE	TIME	DESCRIPTION
9 19 85	6:15	Craig Fuller, VP's COS and Ollie North (6:36)
	6:56	JMP (6:57)
	7:35	Called Secy Shultz on PL
9 20 85	7:30AM	RCM arrived at State for a Breakfast Meeting with Secy Shultz, Don Regan, Bob Tuttle & John Whitehead (8:30)
	8:40	DCM (9:35)
	9:35	P NSB w/Admiral John Poindexter (JMP) - list attached [SEE ATTACHMENT TO EXCERPTS] (10:16)
	10:17	Ret'd Secy Shultz' call on PL
	11:00	NSC Mtg - Sit Room - list attached [SEE ATTACHMENT TO EXCERPTS] (12:15)
	1:25	JMP (1:35)
	1:30	Secy of State George Shultz ret'd RCM's call
	2:31	Secy Shultz called on PL
	2:37	Jonathan Miller, Amb Jack Matlock, Bill Henkel, (WH Advance), and Bill Martin (3:05)
	3:10	FBI Director William Webster
	3:20	JMP joined above meeting (3:40)
	3:40	To Vice President Bush's office in OEOB to meet with families of six remaining hostages in Lebanon (4:45)
	4:45	Ret'd w/Ollie North (4:47)
	4:55	Ret'd Michael Ledeen's call on secure
	5:01	Ret'd VP's call at his residence
	6:55	Ret'd Secy Weinberger's call
	7:30	JMP (7:36)
	7:44	to JMP's office (7:47)
9 23, 85	8:00	DCM (8:40)
	8:40	Ch[u]ck Peters - PDB (9:05)

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DATE	TIME	DESCRIPTION
9/23/85	9:30	P/NSB w Admiral John Poindexter (9:50)
	1:32	P Briefing for Mtg w/President Mubarak of Egypt - list attached (SEE ATTACHMENT TO EXCERPTS)
	2:00	P Mtg w President Mubarak (Oval Ofc) - list attached (SEE ATTACHMENT TO EXCERPTS) (3:15)
	3:20	Ollie North called secure
	5:17	Don Regan called secure
	5:28	Admiral Poindexter (5:29)
	6:00	Secy Shultz called
9/24/85	7:30	DCM (8:30)
	8:45	PDB - Dave Peters (9:00)
	9:30	Admiral John Poindexter (9:42)
	10:30	Defense Secy Weinberger called on PL
	4:00	Ron Lehman and Bob Linhard (4:07)
	5:25	Departed w/Wilma Hall and Ollie North by sedan to Andrews AFB for military flight to NY for Shultz/Shevardnadze bilateral talks.
9/26/85	9:33	P/NSB (9:52)
	10:00	P/NSB Briefing - see attached list (SEE ATTACHMENT TO EXCERPTS) (11:08)
	12:05	Ret'd Defense Secy Caspar Weinberger's call
	1:10	The President called (1:17)
	5:40	CIA Director William Casey, John McMahon, Ken deGraffenreid (6:02) and Admiral John Poindexter (6:11)
	7:31	Departed with Jonny for Black Tie Dinner IHO Gen Vessey hosted by Secy & Mrs. Weinberger at the Anderson House
	8:10	RCM phoned Admiral Poindexter to discuss an action

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DATE	TIME	DESCRIPTION
9/26/85	8:40	RCM's driver phoned to say that the package RCM had requested through JMP had been delivered to RCM personally at the dinner
9/27/85	7:50	Talked w/Secy Shultz on PL (8:00)
	8:00	DOM (8:45)
	9:02	P/Prebrief for Soviet FM Shevardnadze Mtg - list attached [SEE ATTACHMENT TO EXCERPTS]
	10:00	P/Mtg w/Soviet FM Eduard Shevardnadze - list attached
	12:15	Luncheon in State Dining Room - list attached (1:30)
	1:20	P/Secy Shultz - Oval Office (2:02)
	2:02	Secy Shultz, U.S. Ambassador to Soviet Union, Arthur Hartman, Bernard Kalb (State Department spokesman) and Ambassador Pay Ridgeway, Asst Secy for Bureau of European Affairs (State Department) (2:17)
	2:05	Ambassador Jack Matlock (2:18)
	2:40	Admiral John Poindexter (2:45)
	3:18	RCM called JMP
	4:30	Departed for Mtg at State Department w/Soviets, Secy Shultz - list attached (6:48)
	7:22	Bob Linhard (7:23)
	7:30	RCM departed office to join Jonny at a private dinner at Secy Shultz['] residence IHO Soviet FM Shevardnadze
9/30/85	8:02	DOM (8:45)
	9:25	Admiral John Poindexter (9:28)
	9:30	P/Prebrief for Mtg w/King Hussein - Oval Office - list attached [SEE ATTACHMENT TO EXCERPTS] (9:50)
	11:00	Departed on Marine One for GEN Vessey Farewell Ceremony at Andrews AFB, then depart directly via VP's helo for VP's luncheon at his residence for luncheon IHO King Hussein and

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DATE	TIME	DESCRIPTION
9 30 85 (cont'd.)	11:00	travel back to WH in VP's motorcade - See attached list (1:22)
	4:33	RCM attempted call to State Secy Shultz over PL, but the Secy had not returned from NY
	6:19	Secy Shultz phoned
	7:19	Admiral Poindexter (7:24)
	7:25	to Admiral Poindexter's ofc (7:29)
10 1 85	8:32	PDB - Dave Peterson
	8:33	CIA Director Wm Casey called secure (8:52)
	9:15	Called Defense Secy Weinberger on PL
	9:17	Called State Secy Shultz
	9:45	P NSB w Admiral John Poindexter, Col Pye and Family (+) list attached (SEE ATTACHMENT TO EXCERPTS)
	9:55	P Swearing-in ceremony of ADM Wm Crowe, Jr. as Chairman, JCS in Oval Office - list attached (SEE ATTACHMENT TO EXCERPTS) (10:10)
	11:00	P NSC Mtg - Cabinet Room - list attached (SEE ATTACHMENT TO EXCERPTS) (12:00)
	12:10	to JMP's office (12:15)
	2:00	P/Cabinet Mtg on Shevardnadze Visit (Cabinet Rm) (3:00)
	4:00	Ret'd Don Regan's call on PL
	6:10	to JMP's ofc (6:11)
	6:45	JMP (6:53)
	7:35	JMP (7:40)
	7:45	JMP, Amb Jack Matlock, Don Fortier & Bill Martin (8:45)
10 2 85	7:30	Breakfast with Admiral Poindexter and Ken Khachigian, office (8:15)
	7:55	Secretary Shultz called (8:00)

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DATE	TIME	DESCRIPTION
10/2/85	8:15	RCM (8:55)
	11:05	Ed Djerejian and Arnie Raphel with Admiral Poindexter (11:37)
	1:10	Michael Ledeen called on secure (1:15)
	1:29	to Admiral Poindexter's office (1:45)
	1:58	Bob Linhard called
	3:35	Meeting with SPG Principals in Situation Room (see attached list) (SEE ATTACHMENT TO EXCERPTS) (4:36)
	5:59	Secretary of Defense Weinberger called (6:02)
	6:06	Secretary of State Shultz called (6:11)
	6:24	Admiral Poindexter (6:35)
	6:40	Secretary Shultz called (6:45)
10/3/85	8:00	RCM (8:35)
	8:38	Ret'd Vice President Bush's call (OEOB ofc
	8:45	Called Ron Lehman
	8:58	PDB - Dave Peterson (9:07)
	9:25	Called Bill Martin
	9:26	State Secretary George Shultz called from New York
	9:41	State DepSec John Whitehead ret'd RCM's call
	10:22	Secy Shultz ret'd RCM's call
	10:55	Paul Thompson
	11:04	Called Bob Linhard
	11:40	Defense Secy Caspar Weinberger called from aircraft enroute from New York to Philadelphia
	2:12	Ret'd Ollie North's call secure
	2:20	John Whitehead called on PL
	4:06	Called Don Regan on PL

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DATE	TIME	DESCRIPTION
10 3 85	4:42	Ret'd Secy Weinberger's call
	5:03	Bill Martin (r)et'd RCM's call
	5:07	CIA Director William Casey (6:03), John McMahon and Ken deGraffenreid (5:50)
	6:00	Ret'd David Kimche's call (in Israel)
	6:31	David Chew (Dep to COS) and Paul Thompson (6:40)
	6:48	Secy Shultz ret'd RCM's call
	7:00	David Chew
	8:45	Called Ollie North
10 4 85	8:00	DCM (8:50)
	9:05	To see President (9:12)
	9:30	P. Congressional Ceremony - see attached list
	10:18	Returned with Secretary Shultz (10:30)
	10:30	NSPG [redacted] see attached list (SEE ATTACHMENT TO EXCERPTS) (11:33)
	11:33	Returned with Ed Meese-Attorney General (11:40)
	12:22	Returned Secretary Shultz's call on PL
	1:16	Don Regan returned RCM's call from AF One
	1:36	Secretary Shultz called on PL
	2:33	The President called on secure
	4:02	Admiral Poindexter (3:10)
	4:12	Secretary Shultz returned call
	4:21	Called Don Regan on secure on AF One
	4:30	Bob Linhard (4:35)
	4:40	Don Regan called on secure from AF One
	6:15	Returned with Richard Perle, Asst. Sec. of Defense (6:21)

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DATE	TIME	DESCRIPTION
10 4 85	6:15	Peter Sommer (6:26)
	6:26	Admiral Poindexter joined
	6:27	Secretary Weinberger called on PL
	7:00	Ollie North called
	7:15	Deputy Secy of State John Whitehead called
	7:18	Called Sven Kraemer
	8:04	Called Richard Perle
10 5 85	9:47	Dave Peterson (PDB) (9:57)
	12:20	Don Fortier (12:21)
	12:15	Bill Martin (12:32)
	2:00	Bob Linhard (2:03)
	3:05	Ollie North (3:38)
10 7 85	8:35	Admiral Poindexter (8:40)
	8:40	Don Regan's office
	8:55	Bob Linhard, Karna Small, Steve Steiner 9:00
	9:33	P/NSB with Admiral Poindexter, Paul Thompson and Abraham Sofaer, Legal Adviser, State Department
	9:45	P/Mtg w/Lord Carrington (see attached list) [SEE ATTACHMENT TO EXCERPTS] (10:18)
	10:33	Returned Bill Casey's call on secure
	12:05	Issues Lunch - Cabinet Room (1:05)
	1:55	Departed to get President to go to NSPG Meeting in Situation Room (see attached list) [SEE ATTACHMENT TO EXCERPTS] (3:10)
	3:18	Oliver North's and Jonathan Miller's birthday party, Room 392, OEOB (3:30)
	5:00	Admiral Poindexter (5:14)
	5:17	Departed with Admiral Poindexter to Geneva Meeting, Situation Room. Also attending:

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DATE	TIME	DESCRIPTION
10/7/85 (cont'd.)	5:17	Don Regan, Dennis Thomas, Pat Buchanan, David Chew, Bill Martin, Larry Speakes[,] Bill Henkel, Amb. Jack Matlock, Tom Dawson, and Jonathan Miller
	7:45	Admiral Poindexter (7:50)
	9:15	Admiral Poindexter (9:32)
10/8/85	8:03	Returned Secretary Shultz's call on secure
	8:09	DCM (8:26)
	8:26	Secretary Shultz called on secure
	9:18	To see President Reagan
	9:30	P Briefing for visit of Prime Minister Lee of Singapore
	1:00	To get President to go down to NSPG Meeting in Situation Room (see attached list) [SEE ATTACHMENT TO EXCERPTS] (1:52)
	3:32	Karna Small, Ed Djer[e]jian, Paul Thompson, Steve Steiner, Sven Kraemer
	4:32	Secretary Weinberger called on secure
	5:47	Returned to office with Bob Linhard
	6:04	Don Regan called
	6:06	Admiral Poindexter (6:15)
	6:20	Mike Ledeen and Ollie North (7:06)
	6:24	Admiral Poindexter joined (6:26)
	6:43	Secretary Weinberger called from car
	7:05	Secretary Weinberger called secure (7:08)
	7:27	Admiral Poindexter
10/9/85	8:50	Admiral Poindexter
	9:02	PDB - Dave Peters (9:25)
	9:10	Ed Meese, Attorney General called

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DATE	TIME	DESCRIPTION
10/9/85	9:15	Larry Speakes, Ed Djerejian, Admiral Poindexter (9:20)
	9:30	P NSB and Admiral Poindexter (10:05)
	10:07	Admiral Poindexter (10:08)
	11:15	Returned Ollie North's call
	11:37	To see President; joined by Don Regan (11:55
	12:12	To see President (12:15)
	1:05	Karna Small, Jock Covey, Ed Djerejian (1:07)
	1:10	To Oval Office for lunch with President and Secretary Shultz
	2:10	Meeting with Secretary Shultz (2:40), Secretary Baker, Richard Darman, Steve Danzansky and Elliott Abrams (2:30)
	4:15	Vice President Bush (4:30)
	7:07	Admiral Poindexter (7:11)
	7:28	Admiral Poindexter, Ollie North, Ed Djerejian
10/10/85	8:28	Ret'd Defense Secy Caspar Weinberger's call
	8:32	DCM (9:05)
	9:08	To see Don Regan, then to see President (9:14
	9:15	To South Lawn to board Marine One for trip with President to Chicago
	11:00	RCM called Adm John Poindexter from AF One
	12:10	" " " " " " Chicago
	2:20	" " " " " " "
	11:48	Adm Poindexter (12:37)
	12:10	Ollie North joined above (12:36)
	12:04	Karna Small joined above (12:05)
	12:26	Michael Ledeen joined above (12:27)
	12:38	Bob Linhard and Bill Wright (12:54)

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DATE	TIME	DESCRIPTION
10/10/85	1:10	Ollie North (1:11)
	1:38	Adm Poindexter (1:40)
	1:51	Called Attorney General Ed Meese
10/11/85	7:30	To State for Breakfast Mtg w/Secy Shultz, John Whitehead, Mike Armacost, Allan Wallis, Doug McMinn, Beryl Sprinkel, Tom Moore and Steve Danzansky in Secy's Dining Room (8:40)
	8:45	Bill Martin ret'd call
	8:46	Secy Shultz called
	8:50	Ollie North and Ty Cobb (9:00)
	9:06	Ollie North and Fred Fielding (9:07)
	9:30	P NSB with JMP (9:58)
	9:58	JMP (10:02)
	10:05	To see the President (10:07)
	10:30	Don Regan called on PL
	11:05	The President/NSPG in Situation Room - List Attached (SEE ATTACHMENT TO EXCERPTS) (12:03)
	12:03	Karna Small & JMP
	12:04	Mtg w/President to brief on Press Backgrounder and attend President's Press Statement. RCM followed President w/backgrounder (1:22)
	1:34	P/Secy Shultz
	2:24	Ret'd Secy Weinberger's call
	2:45	Called Don Regan
10/15/85	8:00	DCM (8:15)
	8:35	Dave Peters (PDB) (8:50)
	9:00	CIA Dir Casey called
	9:25	Called Bob Linhard
	9:50	Defense Secretary Weinberger called on PL

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DATE	TIME	DESCRIPTION
10/15/85	12:06	Bob Linhard (12:20)
	12:22	Mike Ledeen called
	3:33	Adm John Poindexter (3:45)
	6:08	JMP (6:10)
	6:45	JMP (7:15)
	7:50	Paul Thompson (7:54)
10/16/85	7:30	Breakfast with Secretaries Shultz and Weinberger at Pentagon (8:50)
	9:12	Admiral Poindexter
	10:00	Secretary Weinberger called on private line
	10:30	P NSB with Admiral Poindexter (11:07)
	11:23	Secretary of State George Shultz returned Mr. McFarlane's call
	11:50	Called Secretary Shultz on private line
	12:00	Phil Ringdahl (12:05)
	12:40	Called Jack Matlock
	12:45	Returned Howard Teicher's call
	1:30	P/Secretary Shultz, Oval Office (2:05)
	3:09	Paul Thompson
	3:36	Ollie North (3:42)
	3:47	Called Secretary Shultz on private line
	4:33	Secretary Weinberger called on private line
	5:52	Returned Secretary Shultz's call
	6:07	Don Regan (6:29)
	6:29	Admiral Poindexter (6:50)
10/17/85	7:57	Don Regan's Office (8:00)
	8:00	Bill Martin (8:02)

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DATE	TIME	DESCRIPTION
10/17/85	8:13	Called Charlie Hill at Secy Shultz' Residence in Bethesda
	9:03	Paul Thompson (9:12)
	9:33	P NSB w/Adm Poindexter (9:56)
	9:56	Adm Poindexter (9:59)
	10:31	US Amb to Lebanon Reginald Bartholomew (11:05
	12:00	Bob Linhard, w/Steve Steiner & Adm Poindexter (12:45)
	12:36	Adm Poindexter departed
	1:29	P Briefing for Mtg w/PM Shimon Peres of Israel (1:58) (list attached) [SEE ATTACHMENT TO EXCERPTS]
	2:00	P/Mtg w/PM Peres
	4:00	Don Regan called on P1
	5:14	Secy Shultz called
	5:28	To Don Regan's Office (5:31)
	5:58	Secy Shultz called on P1 (6:08)
10/18/85	8:00	DOM (8:20)
	8:35	Charles Peters (PDB) (8:42)
	8:45	Ret'd CIA Dir Wm Casey's call secure
	9:50	Dir Casey called secure
	11:05	P/Mtg w/Adm John Poindexter, Pat Buchanan, Don Regan and Ken Khachigian (11:15)
	12:18	FGL in Sit Room w/Secy Shultz, Dir Casey & Secy Weinberger (1:12)
	1:18	Ollie North (1:19)
	1:30	P/Secy Shultz (Oval Office) (2:07)
	4:10	Departed for Secy Shultz' ofc at State for weekend at New Market Virginia
10/21/85	8:00	DOM

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DATE	TIME	DESCRIPTION
10/21/85	8:37	[redacted] CIA Briefer (8:50)
	9:30	P/NSB w/Adm John Poindexter & Amb Anne Armstrong - see attached [SEE ATTACHMENT TO EXCERPTS] (9:50)
	10:00	Ret'd Secy Shultz' call on PL
	10:50	JMP's office (11:00)
	11:00	Secy Weinberger called on PL
	12:05	P/Issues Lunch - Cabinet Room
	1:00	P Mtg in Oval Office w Don Regan, Bill Henkel & David Chew (1:18)
	1:30	NSC Mtg in Cabinet Room - see attached [SEE ATTACHMENT TO EXCERPTS] (2:10)
	4:00	Secy Shultz called on PL
	4:12	CIA Dir Bill Casey called
	6:00	Ret'd fr SACG w/Bob Linhard (6:09)
	6:45	Ret'd Secy Shultz' call
10/22/85	8:22	Bob Linhard (8:26)
	8:30	DCM (9:00)
	10:20	Don Fortier and Admiral Poindexter (10:24)
	10:25	**Called Bob Linhard**
	10:30	**P/NSB, with Senator Paul Laxalt (see attached) [SEE ATTACHMENT TO EXCERPTS] (11:15) with Admiral Poindexter**
	11:45	**P/NSPG Meeting, Situation Room (see attached) [SEE ATTACHMENT TO EXCERPTS] (12:30)**
	12:30	**Family Group Lunch, Family Dining Room (1:14)**
	1:30	**Meeting with Don Regan and Senator Charles Percy (1:58)**
	2:00	**Meeting with House Appropriations Committee with Secretary Shultz, Cabinet Room (see attached) (3:12)**

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DATE	TIME	DESCRIPTION
10.22.85	4:10	Admiral Poindexter (4:15)
	4:22	Meeting with FBI Director William Webster, Admiral Poindexter, and Dave Major (5:53)
	5:26	President called secure (5:35)
	5:57	Secretary Shultz called secure
	6:30	Secretary Shultz called secure
10.23.85	7:30	S-W-M Breakfast, State Department
	8:35	Admiral Poindexter
	9:07	Departed for Marine One to go to New York City with the President for UNGA
10.25.85	3:10	Admiral Poindexter
	6:04	Returned Director Casey's secure call
10.26.85	9:28	Charles Peters (PDB) (9:36)
	1:00	Admiral John Poindexter (1:09)
	3:39	Sven Kraemer (3:54)
	4:17	Secy Weinberger called
10.28.85	8:00	DCM (8:42)
	9:30	P/NSB with Admiral Poindexter (9:55)
	12:00	P/Issues Lunch in Cabinet Room (1:15)
	1:50	Admiral Poindexter (1:55)
	4:25	Ollie North (4:30)
	4:30	P/Briefing on hostage families, with Bob Oakley and Ollie North (4:40)
	4:46	P/Meeting with Hostage Families in Roosevelt Room with Ollie North (see attached list) [SEE ATTACHMENT TO EXCERPTS] (6:34)
	6:40	Director Casey called secure
	7:40	Acting Secretary of State John Whitehead called

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DATE	TIME	DESCRIPTION
10/28/85	7:45	Called Don Regan
	8:00	Departed Office for dinner at the Georgetown Club with Admiral Poindexter, Don Fortier, Don Hicks, new DDR&E, and Jim Roach
10/29/85	8:00	DCM (8:30)
	8:35	Charles Peters - PDB (8:45)
	9:30	P/NSB with Admiral John Poindexter (10:06)
	10:15	DepSec John Whitehead called on RL
	11:00	Escorted President from Oval Office to NSPG Meeting in Situation Room - list attached, then directly to lunch w Secy Shultz in WH Exec Mess (12:55)
	1:00	Admiral Poindexter (1:20)
	2:00	P Briefing for Pre-Geneva Interview w BBC World Service Radio - Oval Office (2:25)
	2:25	Admiral Poindexter
	3:35	To see the President in the Oval Office 3:45
	3:45	Judge William Clark and Admiral Poindexter (4:30)
	5:00	Mtg w/Jordanians Zeid bin Shaker & Mohammed Kamal, Asst SecDef Richard Armitage & Jock Covey, Jim Stark & Howard Teicher of NSC (5:55) Coffee was served
	6:05	Bob Linhard (6:20)
	6:31	Admiral Poindexter (6:32)
	7:34	Admiral Poindexter called RCM in his car
10/30/85	7:30	S-W-M Breakfast at Defense Department (8:45)
	8:55	Admiral Poindexter
	9:10	Secretary Shultz called secure
	9:35	P/NSB with Admiral Poindexter and Judge William Clark (10:10)
	11:30	Admiral Poindexter

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DATE	TIME	DESCRIPTION
10/30/85	11:30	P/Pre Geneva Meeting in Oval Office (12:15)
	12:15	Admiral Poindexter (12:18)
	12:32	Ollie North called on secure
	1:32	P/Secretary Shultz (2:25)
	2:25	Secretary Shultz
	2:30	Admiral Poindexter (2:40)
	4:10	Howard Teicher
	4:12	Edgar Bronfman, Israel Singer, Howard Teicher (4:50)
	4:22	Ambassador Jack Matlock joined above meeting (4:54)
	5:15	Departed with Admiral Poindexter for NSC Staff Mtg. Room 208, OEOB
	5:55	Returned from Staff Meeting; Admiral Poindexter (5:56)
	5:59	Called Don Regan
	6:07	Don Regan (6:12)
	6:13	Mike Ledeen and Ollie North (North left at 6:29; Ledeen left at 6:35)
	6:44	Called Bob Linhard secure
	7:02	Went to Don Regan's office (7:05)
10/31/85	8:00	DOM (8:30)
	8:30	Don Regan (8:35)
	8:45	Called Secretary Shultz on secure
	9:15	Secretary Weinberger called on private line
	9:20	Admiral Poindexter
	9:30	P/NSB with Admiral Poindexter
	9:40	P/Meeting with Ambassador Robert Barry (see attached list) [SEE ATTACHMENT TO EXCERPTS]

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DATE	TIME	DESCRIPTION
10/31/85	9:45	P/Meeting with President Duarte of El Salvador, Oval Office, see attached list (SEE ATTACHMENT TO EXCERPTS)
	9:50	Paul Thompson and Bob Pearson (9:52)
	9:52	Called Steve Steiner
	9:55	Bob Linhard called
	11:24	to Oval Office (11:26)
	11:37	To see Vice President Bush (11:45)
	1:07	P briefing for Pre-Geneva Interview-Oval Office (2:00) (RCM may have stayed for TASS interview) (See attached list for names of journalists doing interview)
	2:10	Admiral Poindexter (2:15)
	2:55	President Reagan called
	2:56	To see President (3:10)
	4:05	Returned Secretary Weinberger's call on private line
	6:43	Returned with Jack Matlock; saw Admiral Poindexter (6:45)
	7:25	Returned Senator Gordon Humphrey's call (R-NH) with Admiral Poindexter in room until 7:55
	7:55	Called President Reagan
11/1/85	8:00	DOM (8:45)
	8:48	PDB - Charles Peters
	9:08	Called Secretary Weinberger (9:09)
	9:11	Called Secretary Weinberger (9:16)
	11:06	Secretary Weinberger (11:23)
	12:09	Lunch with Secretary Shultz in the office (2:00)
	2:23	Bob Linhard called secure (2:26)
	2:34	The President called (2:37)

UNCLASSIFIED

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DATE	TIME	DESCRIPTION
11 1 85	2:40	Secretary Weinberger called (2:41)
	3:42	Paul Thompson (3:45)
	3:45	Departed office with Paul Thompson and Karna Small for Andrews AFB
11 6 85	3:43	Secy Shultz arrived in RCM's office to await meeting with President
	3:50	Admiral John Poindexter joined RCM Secy Shultz Meeting
	4:00	Departed for Meeting which included the President, Vice President, Secy Shultz, Don Regan and Admiral Poindexter in residence (5:13)
11 7 85	8:04	DCM (9:00)
	9:30	P NSB w/Adm Poindexter (10:12)
	11:02	P Medal of Freedom Ceremony in East Room for Amb Paul Nitze, Albert and Roberta Wohlstetter. Participants included the President, The Vice President and Recipients (11:20)
	11:30	Ret'd Secy Weinberger's call on PL
	11:40	Adm Poindexter
	1:20	Ret'd w/Secy Shultz (1:22)
	1:35	P/Briefing for Pre-Geneva Interview w/U.S. News & World Report - Oval Office (2:05)
	2:10	Adm Poindexter (2:20)
	2:40	Briefing w/Admiral Wm. Crowe, Jr., CJCS, Adm Poindexter & Mike Donley - Sit Room (3:32)
	3:32	To Private Meeting w/President (4:07)
	4:17	Attorney General Ed Meese (4:18)
	5:15	CIA Director Wm Casey & John McMahon w/Adm Poindexter (5:58)
	6:08	Director Casey called
	8:23	Adm Poindexter (8:30)

UNCLASSIFIED

UNCLASSIFIED

DATE	TIME	DESCRIPTION
11 8 85	8:00	DCM (8:28)
	8:30	Dave Peterson - FCB (8:45)
	8:55	Adm John Poindexter (9:00)
	9:33	P Mtg with GOP Congressional Leadership - list attached
	10:30	Photo op w President, Adm Poindexter, Amb Jack Matlock & Don Regan for NEWSWEEK
	10:35	P NSB w JMP
	12:15	P Luncheon w Religious Leaders in Cabinet Room - list attached (1:26)
	1:40	P Mtg w Secy Shultz & Adm Poindexter IMMEDIATELY FOLLOWED BY: Photo op w President, RCM, Secy Shultz & Don Regan in Cabinet Room (2:05)
	2:30	Ollie North (2:35)
	2:35	David Kimche of the Israeli Government (3:15 (not shown on schedule)
	7:00	Howard Teicher (7:11)
	8:04	To Adm Poindexter's Office (8:08)
	8:15	Adm Poindexter - joined by Ollie North (8:25) (8:35)
11 9 85	9:50	Don Regan Called
	9:58	Admiral Poindexter
	11:00	Secretary of State Shultz called on private line
	11:45	Departed with President for VOA; President made radio speech to Soviet people
	12:44	Jack Matlock (12:47)
	2:20	Admiral Poindexter (2:22)
	2:25	Called Secretary Weinberger secure (on board pla[n]e to Arizona) (2:35)
	3:55	Fred Ikle called

UNCLASSIFIED

UNCLASSIFIED

DATE	TIME	DESCRIPTION
11/11/85	10:28	Returned Sec. Shultz's call
11/12/85	8:52	Don Regan called on PL
	10:30	P/NSB w/Adm John Poindexter (11:07)
	11:08	P/NSPG Meeting in Situation Room - list attached [SEE ATTACHMENT TO EXCERPTS] (12:18)
	12:30	CIA Dir Wm Casey called secure
	12:45	Adm Poindexter (12:50)
	1:50	Don Regan (1:53)
	3:55	Adm Poindexter (4:00)
	4:20	Don Regan called on PL
	4:22	Bob Linhard (4:35)
	6:40	Adm Poindexter (6:35)
11/13/85	7:00	Directly from residence to S-W-M Breakfast at Defense (9:00)
	9:33	P/NSB with Adm Poindexter (10:00)
	10:10	Ret'd Don Regan's call
	10:55	P/Cabinet Meeting - Cabinet Room (11:55)
	11:55	Secy Shultz for Lunch in RCM's Office (12:55)
	11:56	Secy Weinberger (11:57)
	12:58	Adm Poindexter (1:00)
	1:02	To NSC Meeting w/President (2:10)
	2:15	Meeting w/Don Regan, Karna Small, Dennis Thomas, Larry Speakes, Pat Buchanan, David Chew, Tom Dawson & Ed Djerejian (2:45)
	2:45	Michael Ledeen (3:10)
	5:00	NSC Staff Mtg (208, OEOB) (5:31)
	6:55	Called Don Regan
	7:17	Don Regan called

UNCLASSIFIED

UNCLASSIFIED

DATE	TIME	DESCRIPTION
11/13/85	7:35	Called David Chew
11/14/85	9:30	P/NSB w Adm Poindexter
	10:10	Director Casey called secure
	11:00	P/NSPG Mtg in Sit Room - list attached (SEE ATTACHMENT TO EXCERPTS) (12:00)
	12:00	Secy Shultz for lunch in RCM's office (12:55)
	1:00	Secy Shultz & Richard Darman (1:01)
	1:02	P Mtg w/Arms Negotiators in Oval Office - list attached (SEE ATTACHMENT TO EXCERPTS) (1:40)
	4:45	Adm Poindexter (4:50)
	5:10	Dir Wm Casey, Dep Dir John McMahon, (5:48) & Adm Poindexter (5:59)
	6:46	Ollie North (6:53)
	7:10	Adm Poindexter (7:25)
11/15/85	8:00	DCM (8:30)
	9:00	PDB - Charles Peters (9:09)
	9:30	P/NSB with Admiral Poindexter
	10:55	Secretary Shultz
	10:58	P/NSC Meeting - Cabinet Room (see attached list) (SEE ATTACHMENT TO EXCERPTS) (11:58)
	11:58	Jack Matlock (12:00)
	11:59	Secretary Shultz (1:00)
	12:01	Director Casey (1:00)
	12:10	Secretary Weinberger (1:00)
	1:00	P/Meeting with Secretary Shultz (1:30)
	4:42	Israeli MOD Yitzhak Rabin (coffee served for four, to include 2 waiting in West Lobby) (5:02)
	4:44	President called [redacted] (4:46)

Not Rel.

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UNCLASSIFIED

DATE	TIME	DESCRIPTION
11/15/85	5:16	Accepted call from his Minister
	7:17	Admiral Poindexter (7:41)
	8:38	Ollie North (8:45)
11/16/85	7:59	Defense Secretary Weinberger (8:02)
	8:09	Departed for So Lawn with Poindexter to board Marine One for trip to Geneva, Switzerland
11/27/85	12:40(p)m	Took secure call from Admiral Poindexter ((12:40))
11/30/85	9:40am	To the President's Ranch
	12:30pm	Called Vice President Bush (12:35)
12/2/85	8:56pm	RCM arrived in office from Santa Barbara, LA, Seattle trip w/President
12/3/85	7:55	VP's Office - OEOB
	8:50	**Adm John Poindexter**
	10:10	Called Secy Shultz on PL
	10:30	GOP Congressional Leadership w Secy Shultz - list attached (11:40)
	11:40	P/NSB w/Adm **Poindexter** (12:00)
	12:05	Ret'd Director Casey's call on secure
	12:30	Secy Shultz (12:50)
	1:22	Adm **Poindexter** (1:40)
	4:58	Adm **Poindexter** (5:04)
	6:43	Secy Shultz ret'd RCM's call
	6:20	Adm **Poindexter** (6:28)
	6:54	Adm **Poindexter** (6:55)
12/4/85	8:00	DCM (8:35)
	9:02	Called Secy Shultz on PL
	10:06	CIA Dir Wm Casey called secure

UNCLASSIFIED

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DATE	TIME	DESCRIPTION
12/4/85	10:12	To See Vice President Bush (10:30)
	11:45	Dir Casey (12:25)
	12:00	Called Bill Martin
	12:25	Paul Thompson (12:26)
	1:30	P/Secy Shultz (1:55)
	2:25	To Oval Office, then to Press Briefing in WH Press Room (2:50)
	4:10	Adm John Poindexter
	6:10	Departed w/Ollie North for Reception at Palm Restaurant Hosted by Neil Livingstone (7:10)
12/5/85	9:30	P/NSB w/Adm John Poindexter (10:05)
	12:40	To See the President (1:05)
	3:55	Called Ross Perot
12/6/85	9:15	To See Adm John Poindexter
	10:10	Adm Poindexter
	12:00	To Lunch w/Secy Shultz at State (1:25)
	2:25	Adm Poindexter
	2:35	Michael Ledeen (3:00)
	3:55	The Vice President (4:05)
12/7/85	9:45	JMP (9:50)
	9:55	Secretary Weinberger with JMP (9:56)
	9:56	To Residence with Secretary Weinberger and Poindexter for private meeting with the President and Sec Shultz, John McMahon, CIA, and Don Regan
	12:00	Returned to office with Poindexter (12:05)
	12:21	Don Regan (12:30)
	12:45	Returned Don Regan's dropby call
	12:50	Ron Lehman

UNCLASSIFIED

UNCLASSIFIED

DATE	TIME	DESCRIPTION
12/07/85	1:20	Returned to office and Ron Lehman (1:34)
	2:10	Poindexter (2:15)
	4:40	Secy Weinberger called on Signal
	4:45	Secy Weinberger called on Secure
	5:25	Poindexter (5:30)
12/9/85	7:23	Admiral Poindexter (7:37)
12/10/85	10:30	Mtg w/President, Secy Weinberger, Director Casey and Admiral Poindexter (11:30)
	11:30	Returned w/Director Casey (11:32)
	2:52	David Chew (3:07)
12/11/85	10:20	Michael Ledeen called
	3:35	Adm John Poindexter (3:40)
	4:30	Don Fortier (4:32)
	5:12	David Kimche ret'd call
12/12/85	5:45	Departed to meet Jenny at Vice President's Residence for a Reception, then to Host the Presidential Box at the Kennedy Center Opera House
12/13/85	11:49	The President called on PL
	11:59	The Vice President (12:03)
	2:44	Adm John Poindexter (3:01)
	3:36	Don Fortier (4:05)
12/18/85	10:45	Ross Perot Called
12/19/85	9:45	David Kimche called
	10:25	Michael Ledeen (11:30)
12/20/85	9:20am	Called Michael Ledeen (at residence)
	10:35am	Ollie North (11:30)

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EXHIBIT 65

The Director of Central Intelligence
Washington, D.C. 20505

86-4068M-1

UNCLASSIFIED

26 November 1985

I 0400

MEMORANDUM FOR: Vice Admiral John M. Poindexter, USN
Deputy Assistant to the President
for National Security Affairs

SUBJECT: Presidential Finding on Middle East

Pursuant to our conversation this should go to the President for his signature and should not be passed around in any hands below our level.

William J. Casey

Attachment:
As stated

CL BY 0008074
RVW OADR

[redacted]

529

[illegible] on 7 May 1987
under provisions of E.O. 12356
by [illegible], National Security Council

UNCLASSIFIED

Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961, As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

0401

I have been briefed on the efforts being made by private parties to obtain the release of Americans held hostage in the Middle East, and hereby find that the following operations in foreign countries (including all support necessary to such operations) are important to the national security of the United States. Because of the extreme sensitivity of these operations, in the exercise of the President's constitutional authorities, I direct the Director of Central Intelligence not to brief the Congress of the United States, as provided for in Section 501 of the National Security Act of 1947, as amended, until such time as I may direct otherwise.

SCOPE	DESCRIPTION
Hostage Rescue - Middle East	The provision of assistance by the Central Intelligence Agency to private parties in their attempt to obtain the release of Americans held hostage in the Middle East. Such assistance is to include the provision of transportation, communications, and other necessary support. As part of these efforts certain foreign materiel and munitions may be provided to the Government of Iran which is taking steps to facilitate the release of the American hostages. All prior actions taken by U.S. Government officials in furtherance of this effort are hereby ratified.

The White House
Washington, D.C.

Date:

7 May 1987

[redacted]

ER [illegible]
CY ___ OF ___

Exhibit 66

UNCLASSIFIED

<HEADER>
\MSG FROM: NSJMP --CPUA TO: NSPBT --CPUA 11/22/86 16:56:33
To: NSPBT --CPUA PAUL THOMPSON

-- SECRET --

NOTE FROM: JOHN POINDEXTER
<SUBJECT>
Subject: HFAC
<TEXT>
fyi
*** Forwarding note from NSRCM --CPUA 11/21/86 21:01 ***
To: NSJMP --CPUA

N 19124

*** Reply to note of 11/21/86 19:12

-- SECRET --

NOTE FROM: ROBERT MCFARLANE
Subject: HFAC
Roger John. You must must be pretty well drained after the sessions with the Intel committees. That's not a terribly uplifting experience; I did it a time or two for Ollie. I spent a couple of hours with Ed Meese today going over th record with him. The only blind spot n my part concerned a shipment in November '85 which still doesn't ring a bell with me.

But it appears that the matter of not notifying about the Israeli transfers can be covered if the President made a "mental finding" before the transfers took place. Well on that score we ought to be ok because he was all for letting the Israelis do anything they wanted at the very first briefing in th hospital. Ed seemed relieved at that. CAroline tells me that she hwa arranged for me to meet with the HFAC on Dec 8that 2:00pm. They want it to be closed but for the record. I don't mind either way but will be guided by whatever yo all prefer.

[redacted]

6 May 1987

UNCLASSIFIE

EXHIBIT 67

11/21/86 — McFarlane - AG - CJC

AG - need the facts - total chronology
AG recaps
1st contact by Kimche -

M. - July 3 - M, K, others from Isr. (Ell. Rubinstein) met w/ re [illegible]
in M's office
July 30 - Kimche phones M. to set up mtg. -
Aug. 2 - K, M meet in Wash.
(K - director-gen. of For. Minister

→ K. said Iranians made contacts w/ K, &
rep'd elements of Iran seeking chg in govt
& int'ed in establishing contact w/ U.S.
Iran's econ. declining, Soviets on border,
etc. Fundamentalist drive bad, they said.
mid-July: (1st?) M. briefed P. in hosp. w/ Don Regan.
K. thought the Iranians were legit bc/ had
taken risks to prove their b.f.
K. said a q.p.q. in terms of military sup.
would eventually be necessary.
~~no mention of weapons till 1st meeting~~.
[redacted] The Iranians might be able to influence hostage sit.
[illegible]

would be gratified (M [redacted] suspected Isr. had already).
K mentioned replenishment; M said no diff. from
direct U.S. → Iran. — only Rabin, + Peres
aware of chat, not [redacted] Shamir. No partic type
of arms mentioned.
M. acknowledged that Isr. would later be able

M. Ledeen — periodically would tell M. that he was going
≤ there (Is.) & should he rept if Is contacts
w/ Ir. — M said of course.

af: ≤ K-M meeting Ledeen gave M
confirm, info re Isr / Iran channel.

M thinks he talked w/ G. Schultz in July or Aug.
these matters — Pres. remembers meeting w/
Family group in hosp. — or in residence — ? —
pajamas.
M. doubts that Pres called Peres when Weir released.

N. may have talked w/ Waite at about that time.
M. knows of no arms talks between N + Waite.

M. guesses he learned of 508 Tows from Ledeen
M briefed P. — Cap., G.S., & Casey, present, M

that it hadn't worked out that way (all hostages). No issue of Arms E.C.A. came up; bc/ we weren't providing arms directly to Iran (per E.O.) - clear that must report direct transfer. No one mentioned that Is → Ir. arms would vio. A.E.C.A.

M. knows of no one in U.S.G. who had contact w/ Is. re transfer of 508 TOWS.

Dec. 7 - W.H. meeting. - afterwards M, N, went to London + met w/ K, Ghorbanifar (?), who described his associates. Said they were vulnerable, needed arms to reach out to military, their support. - no mention of kind of arms - M said no arms.

Nov. - Hawks -

M thinks he first learned of it when [illegible] briefed for trip to [redacted] Iran - May.

[redacted] Iran sent back Hawks bc/ couldn't reach hi-altitude bomber.

N. briefed M - he was action-officer on this beginning Oct or Nov.

ov. 16 or 17 At summit in Geneva learned that Isr. had shipped oil equipmt. Rabine called from N.Y. & said they have problem w/ shipmt to Iran. M asked N to assist. N rept'd back that Isr. hit snag in customs in Portugal, & that it may take a call to Prime Minis – a couple of days later he talked w/ S. – M. said it was an important project & would appreciate his assistance. M. remembers no mention in all this of arms.

M. didn't know this involved procuring a plane; doesn't remember chat w/ G.S., but probably had one.

tween Thanks
& Dec 4 -- K visits Wash. to urge M. not to resign. (which had been rumored). M said U.S. itd – polit. meeting/ -- M doesn't remember talk re TOWs, or other arms, but if was, M reaffirm our refusal.

Dec. 7 - M said we should [redacted] provide arms
no talk re problem w/ arms already given by Isr.

Then M, N. went to London.
No recall of talk w/ N re resolution of Rabine's problem.
M. now asks "was CIA involved, (in Nov. matter cor)

Dec London meeting - Iranian said need arms to strengthen his associates - M said no can do - .

separate meeting just w/ K. + N - said disturbed about TOWs - can't approve it.

M briefed P. upon return - recommended that we not do business w/ this Iranian - shady, no training, was not looking at an larger scope, but just arms.

No one in London suggested link between the 508 TOWS + Weir's release.

G.S. came to M. cabin in Oct. weekend before 24th + M suggested that he was thinking of resigning - — M told P. in late Nov. — Resigned Dec. 4 effective end of month.

Dec. 11. - M reported the London meeting to Pres.

No decision by USG to go forward w/ an arm relationship w/ Ir. when M. left.

M. came back in a [illegible]. to be contact w/ Iran in May — was made aware of Finding in April. Was made aware of arms angle in phone calls from Poin. or N. when he.

3098

go to Iran –
On plane to Iran, N (?) told ~~to~~ M nitty-gritty of arms transfers. M expressed dismay; the hostages were
but no details re replenishment, etc.

George Cave was along on trip: interpreter
Howard Teicher
M. flew on charter plane – Ramstein(?) – got on new plane to Tel Aviv → then got on cargo 707 to T'an. – None were U.S military planes
Had a , but no Bible. – N. brought the cake.
There 4 days.

2 CIA communicators were along.

Iranians upped the ante for release of ~~K~~ Kuwaitis
M ~~said~~ they were in bad faith, bc/ wel on deal.

deal was all hostages (when M arrived) for 3 shipments of mater (had spare Hawk parts w/ him).

Noshari? Rafsanjani assistant. met w/ M on last day. . .
[illegible]

[redacted]

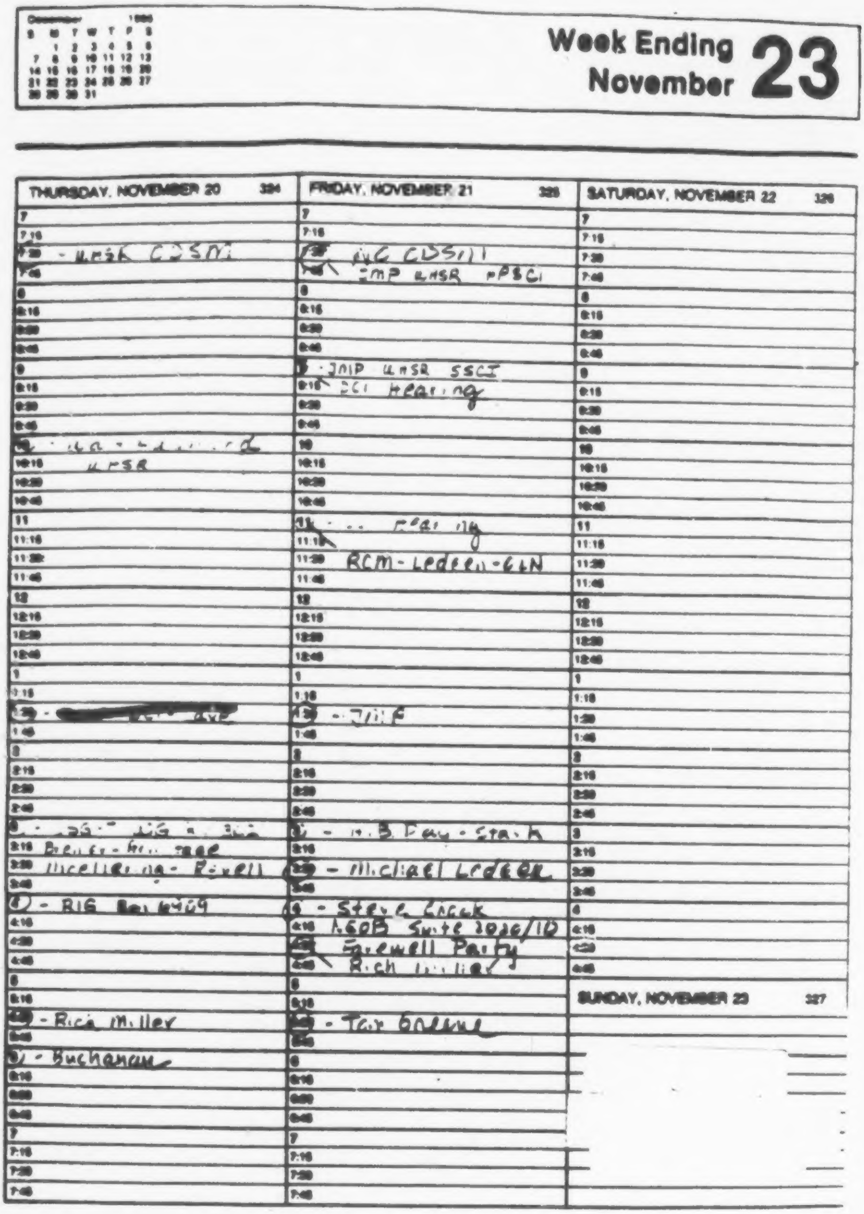
M reported the trip -- & said we should have noth further to do w/ them. Wait on them to come to us.

Iran took the parts, wouldn't give them back.

George Cave

Cap. opposed replacing 508 TOWS - M didn't oppose.

EXHIBIT 68



December 1986
S M T W T F S
1 2 3 4 5 6
7 8 9 10 11 12 13
14 15 16 17 18 19 20
21 22 23 24 25 26 27
28 29 30 31

Week Ending November 23

THURSDAY, NOVEMBER 20 324

7:30 - UHSR CDSM
10 - [illegible]
10:15 UHSR
1:30 - [redacted]
3 - [illegible] BIG [illegible]
3:15 Briefing - [illegible]
3:30 [illegible] - Powell
4 - BIG Briefing
5:30 - Rick Miller
6 - Buchanan

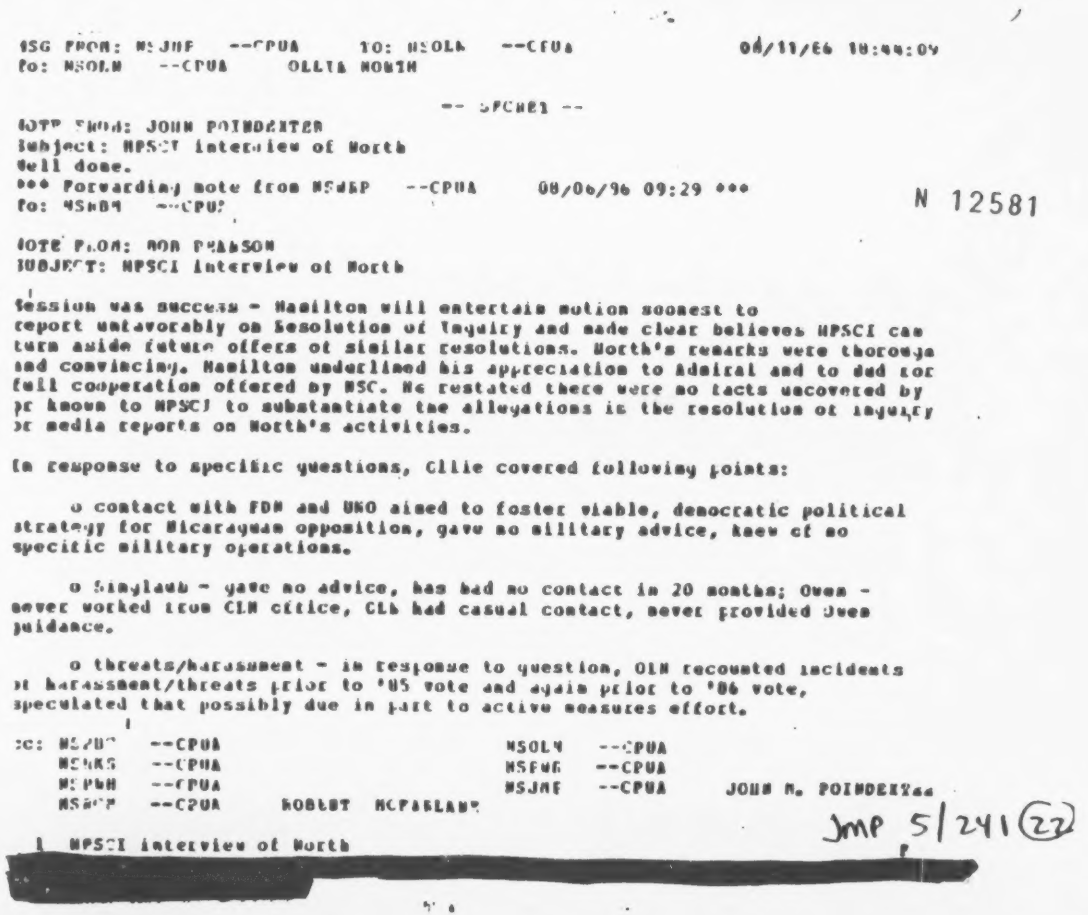
FRIDAY, NOVEMBER 21 325

7:30 NC CDSM
7:45 JMP UHSR HPSCI
9 - JMP UHSR SSCI
9:15 SCI Hearing
11 - .. Hearing
11:30 RCM - Ledeen - GLN
1:30 - JMP
3 - M.B. Fay - Stark
3:30 - Michael Ledeen
4 - Steve Crock
4:15 LOB Suite 3026/10
4:30 Farewell Party
4:45 Rich Miller
5:30 - Tom Greene

SATURDAY, NOVEMBER 22 326

SUNDAY, NOVEMBER 23 327

EXHIBIT 69



MSG FROM: NSJMP --CPUA TO: NSOLN --CPUA 08/11/86 10:44:09
To: NSOLN --CPUA OLLIE NORTH

-- SECRET --

NOTE FROM: JOHN POINDEXTER
Subject: HPSCI interview of North
Well done.
*** Forwarding note from NSWRP --CPUA 08/06/86 09:29 ***
To: NSJMP --CPUA

N 12581

NOTE FROM: RON PEARSON
SUBJECT: HPSCI interview of North

Session was success - Hamilton will entertain motion soonest to report unfavorably on Resolution of Inquiry and made clear believes HPSCI can turn aside future offers of similar resolutions. North's remarks were thorough and convincing. Hamilton underlined his appreciation to Admiral and to Bud for full cooperation offered by NSC. He restated there were no facts uncovered by or known to HPSCI to substantiate the allegations in the resolution of inquiry or media reports on North's activities.

In response to specific questions, Ollie covered following points:

o contact with FDN and UNO aimed to foster viable, democratic political strategy for Nicaraguan opposition, gave no military advice, knew of no specific military operations.

o Singlaub - gave no advice, has had no contact in 20 months; Owen - never worked from OLN office, OLN had casual contact, never provided Owen guidance.

o threats/harassment - in response to question, OLN recounted incidents of harassment/threats prior to '85 vote and again prior to '86 vote, speculated that possibly due in part to active measures effort.

cc: NSPBT --CPUA NSOLN --CPUA
NSRKS --CPUA NSFWR --CPUA
NSPWH --CPUA NSJMP --CPUA JOHN M. POINDEXTER
NSRCM --CPUA ROBERT MCFARLANE

JMP 5/241 (22)

1 HPSCI interview of North

[redacted]

EXHIBIT 70

NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20506

October 16, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: Paul Thompson

SUBJECT: Meeting with Congressman Mike Barnes

You are scheduled to meet privately with Representative Barnes tomorrow morning from 8:30 to 9:30 a.m. The purpose of the meeting is to discuss alleged, actual contact by members of the NSC staff with the Contras. Rep. Barnes will ask for oral as well as written documentation of alleged contacts.

In addition to assuring Rep. Barnes that all members of your staff are directly responsible to you for their actions and that none of them has violated the letter or the spirit of the law, you should advise him that any contact with Contras was at your direction and with your knowledge in furtherance of the President's initiatives.

Any documents pertaining to the above contacts are internal and deliberative in nature and are furthermore not NSC agency documents. As Presidential advisory papers they fall under the dominion of the President and are no longer subject to your disposition.

In opening or closing you might want to note Rep. Barnes' candidacy for the U.S. Senate and wish him luck.

EXHIBIT 71

File
McFarlane

EVENTS FROM 8/28/85-10/31/85 RELATING TO CONGRESSIONAL INQUIRY

DATE	DESCRIPTION
8/28/85	A number of meetings with Paul Thompson, and a lengthy meeting (53 minutes) and a telephone conversation with Ollie North
8/29/85	Tel. cons. with Ollie North
8/30/85	Four-minute meeting with Thompson in a.m.; then tel. cons. w/Leahy, Durenberger, Hamilton, and Fascell; then tel. cons. with North; then meeting with Bill Martin, Bob Pearson and Paul Thompson (8:46 p.m.); then 55-minute meeting with North (joined by Bill Martin half-way through)
9/3/85	Seven-minute meeting with Thompson; 15-minute meeting with North
9/4/85	14-minute meeting with Fielding; seven-minute meeting with Don Fortier; tel. con. with Fielding (at 6:30 p.m.)
9/5/85	Tel. con. with North; 15-minute meeting with North (Thompson joined); meeting on Hill with Leahy, Durenberger, McMahon, and Newsome; tel. con. with North; 30-minute meeting with North (at 8:00 p.m.)
9/6/85	One-minute meeting with Fortier at end of day
9/10/85	Five-minute meeting with Thompson; 11-minute meeting with North
9/12/85	Bud tells Barnes by letter that NSC actions "have been in compliance with both the spirit and the letter of the law * * *. There have not been, nor will there be, any expenditures of NSC funds which would have the effect of supporting directly or indirectly military or paramilitary operations in Nicaragua * * *." [This letter reiterates an earlier reply to an 8/20 Hamilton letter.] [Tower C-6]
9/16/85	16-minute meeting with North & Poindexter [may be re Rev. Weir]; two tel. cons. with North [same]
9/17/85	Tel. con. with North; departed for Andrews AFB (for Colorado) with Thompson & Karna Small

9/19/85	Cong. Daniel Burton (R-Ind) called; 21-minute meeting with Craig Fuller and North
9/20/85	Two-minute discussion with North, returning from meeting in V.P.'s office with hostage families
9/23/85	Tel. con. with North
9/24/85	Departed with Wilma Hall and Ollie North to Andrews AFB (to N.Y. for Shultz-Shevardnadze talks)
9/27/85	Tel. con. with Friedersdorf
10/3/85	Tel. con. with Sen. Boschwitz; five-minute meeting with Thompson; two tel. cons. with North
10/4/85	One-minute tel. con. with North
10/5/85	Tel. con. with Sen. Laxalt; short meetings with Fortier, Martin, Linhard, and North
10/7/85	Bud tells Hamilton by letter that "[t]here is no official or unofficial relationship with any member of the NSC staff regarding fund raising for the Nicaraguan democratic opposition," and that North did not advise individuals on how they might donate money to the rebels. [Tower C-6]
10/8/85	46-minute meeting with Ledeen, North and Poindexter [presumably re Iran]
10/9/85	Tel. con. with North; went with Thompson and Small to Evans & Novak forum; meeting with Poindexter, North and Djerejian
10/10/85	Meeting with Poindexter, North, Small & Ledeen [presumably re Iran]; one-minute meeting with North
10/11/85	10-minute meeting with North and Ty Cobb; one-minute meeting with North and Fielding
10/15/85	Tel. cons. with Sen. Nunn, Sen. Warner, Cong. Fascell, Cong. Dicks and Sen. Goldwater; four-minute meeting with Thompson
10/16/85	Meeting with Thompson; six-minute meeting with North; tel. con. with Durenberger; tel. con. with Fielding; 13-minute meeting with Fielding (at 4:15 p.m.); 21-minute meeting with Poindexter (at 6:29 p.m.)

10/17/85	30-minute meeting with Barnes (at 8:30 a.m.); then nine-minute meeting with Thompson; also spoke separately with Poindexter and Friedersdorf; tel. con. with Cong. Hunter (R-Calif.)
10/18/85	One-minute meeting with North
10/21/85	Cong. Durbin asked Bud whether there were any efforts currently underway in the Administration to facilitate the sending of private donations to the Contras. Bud replied, "No." [Tower C-6]
10/22/85	Four-minute meeting with Fortier & Poindexter; meeting with House Appropriations Committee w/Shultz in Cabinet Room
10/25/85	Tel. con. with Sen. Gore
10/26/85	Approximately two-hour meeting with Sen. Gore
10/28/85	Five-minute meeting with North [but apparently re President's meeting with hostage families]
10/29/85	Tel. cons. with Cong. Michel, Sen. Dole, Sen. Durenberger and Cong. Stump (R-Ariz.)
10/30/85	Tel. con. with North; meeting with Ledeen and North [presumably re Iran]
10/31/85	Two-minute meeting with Thompson and Bob Pearson; meeting on Hill with Tip O'Neill

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U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON, DC 20515

N 3239
AUG 2

August 20, 1985

Honorable Robert C. McFarlane
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20500

Dear Mr. McFarlane:

Recent press accounts of the alleged activities by the National Security Council regarding the contras in Nicaragua raise some questions.

If the NSC did engage in actions that supported the military activity of the contras, I am curious about what actions were taken by the NSC to support the activities of the contras during the period after the enactment of the Boland amendment and before its recent modification.

I would like to receive a full report on the kinds of activities regarding the contras that the NSC carried out and what the legal justification is for such actions given the legislative prohibitions that existed last year and earlier this year.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

Exhibit 72

PAGE 210

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not have Reed/Cicippio, who are probably in hands of Libyan controlled group which earlier bought/killed Kilburn. and Sam believe that these guys may be the only way we can ever get our hands on Reed/Cicippio since their access and info in the Lebanon are so much better than ours.
BOTTOM LINE: Recommend that we wait for their call on Tuesday, if their position is same as above or better, we shd push them to include Buckley remains and transcript and then get on with it. Pls advise.
Iran

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MSG FROM: NSOLN   --CPUA     TO: NSRCM   --CPUA          10/12/86 16:33:11
To: NSRCM   --CPUA
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*** Reply to note of 10/10/86 21:19
NOTE FROM: OLIVER NORTH
Subject: Anything going on??
We urgently need to find a high powered lawyer and benefactor who can raise a legal defense for Hasenfus in Managua. If we can find such persons we can not only hold Gene and Sally Hasenfus together (i.e., on our side, not pawns of the Sandinista propaganda machine) but can make some significant headway of our own in counter-attacking in the media. Obviously, there is the added benefit of being able to do something substantive in the legal system to defend this young man. I know that this is a tall order and that many U.S. lawyers will not want to step up to this task, but for the man (or woman) who does, there will be a fair bit of history made in the next few weeks. There will, no doubt, be a show trial of some kind launched and unless we have an overt, competent legal defense, Hasenfus will become nothing but a tool in their hands - none of which is in our interests, or his. By Tuesday a Swiss lawyer, retained by Corporate Air Services, should be in Managua. We should not rely on this person to represent the whole CASI since it is supported by covert means. We would be far better off if we had an overt mechanism here in the states which represented USG/Hasenfus' interests, and one would not have to respond to questions regarding the origins of Corporate Air Services, Inc. (CASI), or its other ongoing activities. The CASI lawyer is being instructed to cooperate fully w/ this U.S. Attorney, whoever he/she may be. Have also located approx. $100K from a donor who does not care if this contribution becomes known (Hmmm, the donor has done things in the past to keep CASI in operation - a fact which need not become known). Can you help? If need be, I can meet w/ you/others tomorrow or Tues. Believe this to be a matter of great urgency to hold things together. Unfortunately JP was briefed that this plan was being contemplated before he left for Iceland and am concerned that along about Wednesday when people begin to think of things other than meetings in cold places, he will remember this and nothing will have been done.
Any thoughts wd be much appreciated. Elliott Abrams willing to sit-in any time after [illegible] Dipper task is finished tomorrow night. Pls advise. v/r, North
Anything going on??

[redacted]

[redacted]

NP

(251)

6 May 1987

EXHIBIT 73

FILE: DATE [redacted] -- WHITE HOUSE COMMUNICATIONS AGENCY PAG

MSG FROM: NSJMP --CPUA TO: NSOLN --CPUA 04/08/86 09:00:53
To: NSOLN --CPUA

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*** Reply to note of 04/07/86 09:17

-- ~~SECRET~~ --

NOTE FROM: JOHN POINDEXTER
Subject: PRIVATE BLANK CHECK
I WILL TALK TO VP ABOUT STOPPING IN HONDURAS ON THE WAY BACK. I THINK WE HAVE TO SEND SOMEBODY TO COSTA RICA BUT IT DOESN'T HAVE TO BE VP.
1 PRIVATE BLANK CHECK

N 12131

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 04/07/86 21:10:50
To: NSJMP --CPUA

*** Reply to note of 04/07/86 21:20

-- ~~SECRET~~ --

NOTE FROM: OLIVER NORTH
Subject: What's going on?
Met last week w/ Gorba to finalize arrangements for a mtg in Iran and release of hostages on or about 19 Apr. This was based on word that he had to deposit not less than $15M in appropriate acct. by close of banking tomorrow.

Have talked at length w/ Nir who is handling him on this end also and Nir believes that Gorba may be having trouble closing the final arrangements back home. Per request of JMP have prepared a paper for our boss which lays out arrangements. Gorba indicated that yr counterpart in the T. mtg wd be Rafsanjani. If all this comes to pass it shd be one hell of a show.

Bottom line: believe you shd avail yrself of this paper @ yr earliest convenience. Wd like to see you anyway, am going home -- if I remember the way. Warm regards, North OL
1 What's going on?

[redacted]

2C

7/6/87

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EXHIBIT 74

TOP SECRET

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Mr. McFarlane. I am not certain of it, Mr. Barnes. I don't know for sure. It is very plausible to me.

Mr. Barnes. His relationship with Olly North, professional is what -- are they lateral or is Mr. Teicher North's supervisor?

Mr. McFarlane. Mr. Teicher was in the Middle East Directorate, and Mr. North in the Political Military ~~North~~ Division, when I was there. I believe Mr. Teicher is the head of the Political Military ~~North~~ Division, so Mr. North is now his subordinate.

Mr. Barnes. Walk us through Mr. North's activities on behalf of the contras from the time that you know they began up until your last knowledge of his activities on behalf of the contras? I tried to get at that in my earlier question, but maybe the best way to get at it is not to ask you specific questions, but just ask you in a general way, sort of walk us through Mr. North's activities on behalf of aiding the contras.

Tell us what you know about his activities?

Mr. McFarlane. Lieutenant Colonel North has basically sat on the interdepartmental groups that deliberate over overt and covert policy as it relates to Central America, and from the time of the prohibition and Chairman Boland's amendment that was adopted in 1984, Colonel North's proscription or my proscription of him was that he do nothing beyond the law

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TOP SECRET
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surely, but that yes, his role ought to be, in his liaison periodically with contra leaders, simply to say that we don't have any more authority to supply the money, or the hardware; that it is going to take some time for the President to develop the national support, the Congressional support to do it again; but that the President is committed to it. He hopes that they can carry on.

In short, kind of a morale building, hand-holding kind of thing., ~~that~~ separately, with regard to any other kind of fund-raising or indirectly keeping them alive, supporting them, so forth, that he was not to do that.

He could neither solicit, or encourage, nor otherwise be a broker of indirect support of the contras.

Mr. Barnes. Your testimony is, to your knowledge, he never did that?

Mr. McFarlane. Mr. Barnes, my firm belief is based on what he told me, and that is that he did not do that, and he has told me that many times.

Mr. Barnes. Until this Iran situation, where he and perhaps others figured out that there was a way to get money to the contras by using excess funds from the arms sale.

Mr. McFaralen. That is right.

Mr. Barnes. That was the first time you knew of such activity?

Mr. McFarlane. If it is as it has been portrayed, sir.

EXHIBIT 75

and make two points: the first that we were open to a political agenda and to define what the elements of that ought to be and secondly, that we were not willing to provide U.S. weapons to them, nor encourage other states to do so. That is basically it.

Mr. Stokes. Thank you very much.

The Chairman. Mr. Cheney.

Mr. Cheney. I am curious about the Boland amendment and how it was adhered to during your tenure. In your view did the Boland amendment apply to the National Security Council?

Mr. McFarlane. Yes, sir.

Mr. Cheney. Prohibited NSC personnel from directing aid to paramilitary operations.

Mr. McFarlane. Yes.

Mr. Cheney. Did you give instruction to those people on how they were to conduct themselves in light of the Boland amendment, were they briefed, verbal instructions as to how to proceed?

Mr. McFarlane. There was no written instruction made. Bi-weekly, we had staff meetings each morning but the entire staff gathered twice weekly and at those sessions it was made clear that the law applied to us, and that no officers on the staff was to conduct activities at variance with the law.

Mr. Cheney. Were those instructions given to Colonel North?

Mr. McFarlane. Yes, sir.

Mr. Cheney. He would have been encompassed in that group of people to be involved?

Mr. McFarlane. Yes.

Mr. Cheney. Do you have any reason to believe he violated that prohibition?

Mr. McFarlane. I don't, Mr. Cheney. At congressional request, in the form of letters of the subcommittee of the House Foreign Affairs Committee on this hemisphere, in the summer of last year, went to considerable length to determine whether any activities had occurred that were against the law, and specifically to require a review of all the files, memoranda that concerned both policy, operations, actions involving NSC people, contacts with the contra leadership and this turned up two or three inches of paper, that reported on contacts that did occur between Colonel North and myself, indeed the President and contra leaders.

These were publidized in a matter of public record when the political leaders of the Congress would visit Washington and have meetings and on occasion, five occasions, Colonel North, we also called for the travel records of the Secretariate of NSC officers, where they had gone, and what they had gone to do and from the sum total of these documents, it was clear that the activities were to meet with contra officials, civilian officials, tell them in so many words where we were, that we did not have congressional support for military help, that we would try to get it, continue working with the Congress, that we couldn't provide it in the short-term but we hoped that they would use the time until we hope we could get it, to strengthen their political organization, bring in people like Cruz and others to develop a new political program, for they were being perceived as knowing more than an insurgency, develop that side of this platform but we couldn't do anything to help them.

That was expressed in memoranda, so forth, that were turned up in this search. I asked Colonel North, I asked point blank, you are speaking a lot, I have encouraged you to do that. So do I.

What have you been doing on occasions when somebody asks, can they contribute to the contras for military or other purposes. He said that occurred a number of times and he told them, he could not be party to any transfers of monies, and that if they wished to be helpful, they should go on their own, contact the contra leaderships. He had not been involved in brokering that.

Did what he told you of the trips to Iran in May and June, leave you with the impression he was no longer

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complying with those instructions?

Mr. McFarlane. It clearly did. At the time the only rubric that occurred to me was that, was it feasible for the Finding that, at the same time I was told existed, encompassed this entire family of policy measures, weapons transfers, hostage exchanges and so forth. I don't know that, and I don't know that today.

Mr. Cheney. Thank you, Mr. Chairman.

The Chairman. Mr. McCurdy.

Mr. McCurdy. Thank you, Mr. Chairman.

Mr. McFarlane, this is a very troubling session for a number of us. I personally have worked with you on many occasions, and I have been disturbed by some of the revelations.

The meeting, the revelation made to you by Colonel North in Tehran regarding the diversion of funds, obviously, you concluded that he had violated, the Boland amendment, or at least acted in contradiction to the statement you made to this committee on October of 1985 where you said "There is no official or unofficial relationship with any member of the NSC staff regarding fundraising for the Nicaraguan democratic opposition.

Based on that statement in Tehran, do you still hold by that statement. Can you hold by that statement that you made to this committee?

Exhibit 76

UNITED STATES CODE

1982 EDITION

CONTAINING THE GENERAL AND PERMANENT LAWS
OF THE UNITED STATES, IN FORCE
ON JANUARY 14, 1983

Prepared and published under authority of Title 2, U.S. Code, Section 285b
by the Office of the Law Revision Counsel of the House of Representatives

VOLUME NINE

TITLE 22—FOREIGN RELATIONS AND INTERCOURSE
TO
TITLE 25—INDIANS

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1983

Section 1693, acts Oct. 10, 1951, ch. 479, title II, § 203, 65 Stat. 375; June 20, 1952, ch. 449, § 4(b), 66 Stat. 142, related to economic and technical assistance and authorization of amount.

Section 1694, act Oct. 10, 1951, ch. 479, title II, § 204, 65 Stat. 375, related to aid to Palestine refugees and amount available.

Section 1695, act Oct. 10, 1951, ch. 479, title II, § 205, 65 Stat. 375, related to aid to refugees coming into Israel and amount available.

Section 1696, acts Oct. 10, 1951, ch. 479, title II, § 206, as added June 20, 1952, ch. 449, § 4(c), 66 Stat. 142, and amended July 16, 1953, ch. 195, ch. V, § 501, 67 Stat. 154, related to special economic assistance.

Section 1697, act Oct. 10, 1951, ch. 479, title V, § 549, as added July 16, 1953, ch. 195, ch. VII, § 706(g), 67 Stat. 159, related to the making of a survey of the refugee situation in the Near East, report and recommendations.

See section 2151 et seq. of this title.

SUBCHAPTER IV—ASIA AND PACIFIC; APPROPRIATIONS

§§ 1701 to 1705. Repealed. Aug. 26, 1954, ch. 937, title V, § 542(a)(9) to (11), 68 Stat. 861

Section 1701, acts Oct. 10, 1951, ch. 479, title III, § 301, 65 Stat. 375; June 20, 1952, ch. 449, § 5(a), 66 Stat. 142, related to authorization of amount for military assistance in general area of China, and Republics of Philippines and Korea.

Section 1702, acts Oct. 10, 1951, ch. 479, title III, § 302(a), 65 Stat. 376; June 20, 1952, ch. 449, § 5(b), 66 Stat. 142; July 16, 1953, ch. 195, ch. VII, § 705, 67 Stat. 156, related to authorization of amount for economic and technical assistance in general area of China and Republics of Philippines and Korea.

Section 1703, acts Oct. 10, 1951, ch. 579, title III, § 303, 65 Stat. 376; June 20, 1952, ch. 449, § 5(d) to (g), 66 Stat. 143; July 16, 1953, ch. 195, ch. VI, § 605, 67 Stat. 155 related to rehabilitation of Korea.

Section 1704, act Oct. 10, 1951, ch. 479, title III, § 304 as added July 16, 1953, ch. 195, ch. II, § 201(c), 67 Stat. 153, related to authorization of amount for aid to forces of French Indo-China.

Section 1705, act Oct. 10, 1951, ch. 479, title III, § 302(b), as added July 16, 1953, ch. 195, ch. V, § 502, 67 Stat. 154, related to authorization of amount for economic assistance to India and Pakistan.

See section 2151 et seq. of this title.

SUBCHAPTER V—AMERICAN REPUBLICS AND NON-SELF-GOVERNING TERRITORIES OF THE WESTERN HEMISPHERE

§§ 1711 to 1713. Repealed. Aug. 26, 1954, ch. 937, title V, § 542(a)(9), (10), 68 Stat. 861

Section 1711, act Oct. 10, 1951, ch. 479, title IV, § 401, 65 Stat. 377, related to authorization of amount for military assistance.

Section 1712, acts Oct. 10, 1951, ch. 479, title IV, § 402, 65 Stat. 377, June 20, 1952, ch. 449, § 6, 66 Stat. 143, related to authorization of amount for technical assistance.

Section 1713, act Oct. 10, 1951, ch. 479, title IV, § 403, as added June 20, 1952, ch. 449, § 6, 66 Stat. 143, related to additional appropriations for Latin American countries.

See section 2151 et seq. of this title.

CHAPTER 23—PROTECTION OF CITIZENS ABROAD

Sec.
1731. Protection to naturalized citizens abroad.
1732. Release of citizens imprisoned by foreign governments.

§ 1731. Protection to naturalized citizens abroad

All naturalized citizens of the United States while in foreign countries are entitled to and shall receive from this Government the same protection of persons and property which is accorded to native-born citizens.

(R.S. § 2000.)

Codification

R.S. § 2000 derived from Act July 27, 1868, ch. 249, § 2, 15 Stat. 224.

Section was formerly classified to section 903a of Title 8, Aliens and Nationality.

Equitable Treatment by United States of Its Citizens Living Abroad

Pub. L. 95-426, title VI, § 611, Oct. 7, 1978, 92 Stat. 989, as amended by Pub. L. 96-60, title IV, § 407, Aug. 15, 1979, 93 Stat. 405; Pub. L. 97-241, title V, § 505(a)(2), (b)(1), Aug. 24, 1982, 96 Stat. 299, provided that:

"The Congress finds that—

"(1) United States citizens living abroad should be provided fair and equitable treatment by the United States Government with regard to taxation, citizenship of progeny, veterans' benefits, voting rights, Social Security benefits, and other obligations, rights, and benefits; and

"(2) United States statutes and regulations should be designed so as not to create competitive disadvantage for individual American citizens living abroad or working in international markets."

§ 1732. Release of citizens imprisoned by foreign governments

Whenever it is made known to the President that any citizen of the United States has been unjustly deprived of his liberty by or under the authority of any foreign government, it shall be the duty of the President forthwith to demand of that government the reasons of such imprisonment; and if it appears to be wrongful and in violation of the rights of American citizenship, the President shall forthwith demand the release of such citizen, and if the release so demanded is unreasonably delayed or refused, the President shall use such means, not amounting to acts of war, as he may think necessary and proper to obtain or effectuate the release; and all the facts and proceedings relative thereto shall as soon as practicable be communicated by the President to Congress.

Codification

R.S. § 2001 derived from act July 27, 1868, ch. 249, § 3, 15 Stat. 224.

Section was formerly classified to section 903b of Title 8, Aliens and Nationality.

Release of American Hostages in Iran

For Executive Order provisions relating to the release of the American hostages in Iran, see Ex. Ord. Nos. 12276 to 12285, Jan. 19, 1981, 46 F.R. 7913 to 7932, set out as notes under section 1701 of Title 50, War and National Defense.

EXHIBIT 77

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ROOM H-405
(202) 2.

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE
WASHINGTON, DC 20515

December 4, 1985

Honorable William J. Casey
Director of Central Intelligence
Washington, D. C. 20505

Dear Mr. Casey:

The Joint Explanatory Statement that accompanies the conference report on H.R. 2419 says the following:

> "Section 105 does not permit intelligence agencies to engage in activities, including training other than the communications training provided for pursuant to Section 105, that amount to participation in the planning or execution of military or paramilitary operations in Nicaragua by the Nicaraguan democratic resistance, or to participation in logistics activities integral to such operations."

This sentence might suggest to some that all the conferees sought to prohibit with respect to logistics activities was physical participation therein. Senator Durenberger's statement to the Senate suggested that "advice on matters such as effective delivery and distribution of material" could be provided. As my own colloquy with Congressman Bonior on the House floor would indicate, however, the correct reading is that the phrase "participation in logistics activities" includes planning or providing advice. The conferees did not intend to prohibit military advice on all aspects of paramilitary or military operations except logistics operations. As I said in conference and while explaining the conference report to the House, intelligence personnel are not to act as military advisors to the contras. This certainly includes advising them on logistical operations upon which military or paramilitary operations depend for their effectiveness. That is the agreement that was struck by the conferees with regard to the category of military advice.

With best wishes, I am

Sincerely yours,

Lee H. Hamilton
Chairman

cc: Senator Dave Durenberger
Senator Patrick J. Leahy

EXHIBIT 77A

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United States Senate
SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510

#85-4118

December 5, 1985

Lee H. Hamilton, Chairman
U.S. House of Representatives
Permanent Select Committee on
Intelligence
Washington, D.C. 20515

Dear Lee:

Thanks for sending me a copy of your letter to the DCI of December 4, 1985, concerning the conference agreement on Section 105 of the FY 1986 Intelligence Authorization Act.

I really do not think we have a problem with respect to interpretation of the permissable bounds of intelligence advice to the Nicaraguan democratic resistance. I certainly would agree with you that advice on logistics activities integral to the effectiveness of particular military or paramilitary operations is precluded if it would "amount to" participation in such activities, even if there is no physical participation. At the same time, I'm sure you would agree that the conferees did not mean to place the entire subject of logistics off limits. We certainly would, for example, want to encourage advice on logistics related to the effective distribution of humanitarian and communications assistance.

Thus, it seems to me that the crucial distinction is not between the oral and the physical, but rather between general logistical advice (or logistical advice related to humanitarian or communication assistance) and advice that amounts to participation in logistics activities integral to military or paramilitary operations. The latter is what we clearly meant to prohibit and what our oversight must prevent.

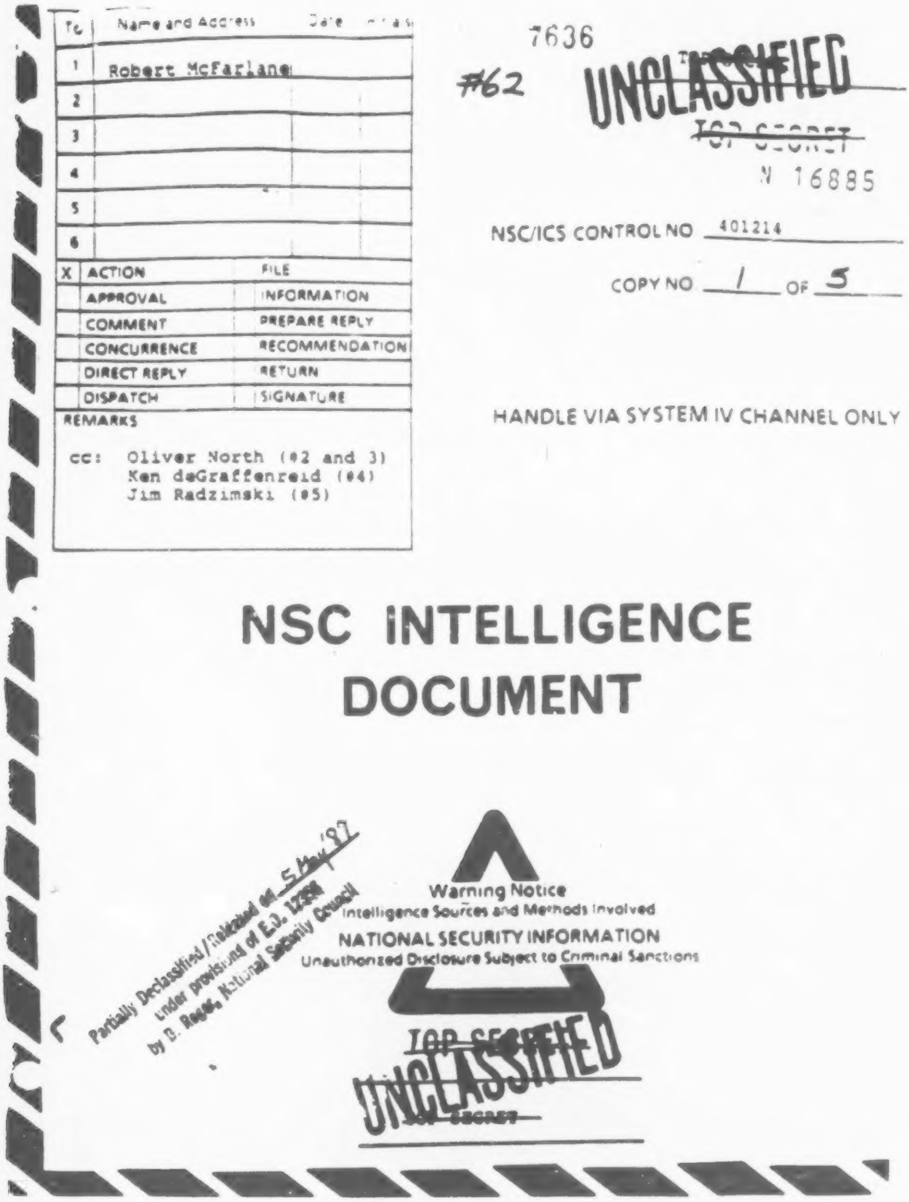
Sincerely,

Dave

Dave Durenberger
Chairman

cc: Senator Leahy
William J. Casey

EXHIBIT GJS1



To	Name and Address	Date	Initials
1	Robert McFarlane		
2			
3			
4			
5			
6			

X		
X	ACTION	FILE
	APPROVAL	INFORMATION
	COMMENT	PREPARE REPLY
	CONCURRENCE	RECOMMENDATION
	DIRECT REPLY	RETURN
	DISPATCH	SIGNATURE

REMARKS

cc: Oliver North (#2 and 3)
Ken deGraffenreid (#4)
Jim Radzimski (#5)

7636

#62

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N 16885

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by B. Reger, National Security Council

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[illegible]

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	1	PT	
Bob Kimmitt	2	K	
John Poindexter	3	C	
Tom Shull			
Wilma Hall	4		
Bud McFarlane	5	M	A
Bob Kimmitt			
NSC Secretariat Jim	7		R
Situation Room			
		J	

N 16336

[redacted]

I = Information [✓ A = Action] R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other ____________

COMMENTS

Should be seen by: ____________
(Date/Time)

UNCLASSIFIED

MEMORANDUM

UNCLASSIFIED

NATIONAL SECURITY COUNCIL

[redacted] December 4, 1984

ACTION

N 16887

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: OLIVER L. NORTH

SUBJECT: Assistance for the Nicaraguan Resistance

In accord with prior understanding, I met on Wednesday, November 28, with , Defense Attache, Embassy of the Gaston Sigur arranged the luncheon meeting at the Cosmos Club and was present throughout.

As agreed, I explained to our purpose in the meeting was to clarify questions which had been raised in Canada regarding an arms transaction destined I explained that an intermediary had advised that apparently made a decision not to proceed with the Canadian-originated arms sale. This offer of purchase included 10 SA-7 missile launchers 30 missiles, 1 training unit, and 10 tracking units.

professed to be unaware of the Canadian transaction. I advised him that the purchase was not really intended for use by but rather for the Nicaraguan Resistance Forces. Further, the intermediary had indicated that the problem appeared to be the number military officers who are graduates of the As a consequence of the apparent reluctance to proceed with the sale showing and user certificate, the Canadian arms dealer is preparing to re-initiate discussions for a similar delivery was advised that the FDN would prefer to have the delivery as soon as possible, since the Soviet HIND-D helicopters were being assembled as we spoke.

was further advised that Adolfo Calero, the Head of the FDN, was willing to commit to a recognition once the Resistance Forces had succeeded. Indicated that he understood the message and would confer with the [redacted] He observed, for the record, that refused to become involved, in any way, in the internal affairs of another country. I indicated that we fully appreciated this position and noted that it was too bad that the Soviets, Bulgarians, and East Germans involved in Nicaragua did not feel the same way.

~~TOP SECRET~~
Declassify: OADR

UNCLASSIFIED

UNCLASSIFIED

Later that afternoon, MGEN Jack Singlaub (U.S. Army, Retired) visited to advise of two meetings he had held early in the day regarding support for the Resistance. Singlaub passed on the following points:

N 16888

Meeting with [redacted]

-- The FDN is in urgent need of anti-aircraft weapons and other crew-served weapons ammunition (particularly 60 and 81mm mortar rounds). Units in the field are also in need of large quantities of boots and clothing since the number of ralliers has exceeded expectations by 2,000.

-- The Resistance Forces are also in urgent need of expertise in maritime operations.

-- The USG is unaware of the Singlaub mission and he is making this request based on his long friendship. Because of the law restricting USG involvement, no USG official can solicit on behalf the Resistance Forces.

-- If like to help, Singlaub can arrange a meeting with Adolfo Calero. If it is necessary for a USG official to verify Calero's bona fides, this can be arranged.

Meeting with [redacted]

-- By agreement with Calero, Singlaub advised since had turned down the earlier FDN request for assistance the Resistance movement had approached

-- The Resistance still is in reed of financial support, munitions, and training assistance.

-- this was a "considerably different situation" than that which he had been aware of earlier. While not committing to support, he noted to Singlaub that this new information might make a difference

[redacted]

~~TOP SECRET~~

UNCLASSIFIED

~~TOP SECRET~~ UNCLASSIFIED

[redacted]

N 16889

This weekend, at the request of Sec. John Lehman, I met with Mr. David Walker, a former British SAS officer who now heads two companies (KMS and SALADIN) which provide professional security services to foreign governments. Walker had been approached several months ago, prior to initiating the current financial arrangement for the FDN. In addition to the security services provided by KMS, this offshore (Jersey Islands) company also has professional military "trainers" available. Walker suggested that he would be interested in establishing an arrangement with the FDN for certain special operations expertise aimed particularly at destroying HIND helicopters. Walker quite accurately points out that the helicopters are more easily destroyed on the ground than in the air. [redacted]

Unless otherwise directed, Walker will be introduced to Calero and efforts will be made to defray the cost of Walker's operations from other than Calero's limited assets.

[redacted]

[redacted]

~~TOP SECRET~~ UNCLASSIFIED

EXHIBIT GJS2

[redacted]

N 12136 #51

*** Reply to note of 04/20/86 15:07

-- SECRET --

NOTE FROM: OLIVER NORTH
Subject: Any guidance?
Have sent a long PRT1 to JMP re the current state of affairs. If you do not have it in the morning pls so advise and I will repeat to you if that can be done w/o the whole world seeing it. Bottom line: earliest we could make trip, if all went well tomorrow is 30 April. This date will slip a day for each day of delay in making the requisite deposit for the items requested. I am not as hopeful in wake of Libyan action. Cave believes that there is a significant internal debate going on inside on what they should do and we are all concerned that there may be a chance that [redacted] could help the get their hands on the other hostages. Not a good day.

Also not a good weekend. Went to Centam to try and reassure our friends -- both govts. and resistance that we WOULD get funding thru the Congress. In the four years I have been working this effort, it was the most depressing session to date. There is great despair that we may fail in this effort and the resistance support acct. is darned near broke. Any thoughts where we can put our hands on a quick $3-5M? Secord is going back to his friends who have given $3M so far in hopes that we can bridge things again, but time is running out along w/ the money. So far we have seven a/c working, have delivered over $17M in supplies and ordnance but the pot is almost empty. Have told Dick to

4 May 87

... was the ship first and then the a/c as a means of containing the ... There we go after that is a very big question. How about [illegible]? As you know I have never asked him for help in this regard, believing that he'd be inclined to talk about it. It may now be time to take that risk. Any thoughts? Warm regards & our love to Jenny. (No matter that it was in the Style section - it was a right fine photo) Keep the faith, Keith
Any guesses?

[redacted]

NP

-- SECRET --

[redacted]

EXHIBIT RWO1

UNCLASSIFIED

Oliver L. North
National Security Council
RM 392
OEOB
Washington, D.C.

July 2, 1984

Dear Ollie:

Privacy

[redacted] Your commitment to this country, to truth and justice, and to man's freedom is an example that so many people can and should learn from. Your dedication is an inspiration to me and many others. Somewhere these ideals were instilled in you; I wouldn't be surprised if at least some of them come from your far

Attached for your information is the information on Grenada with the appropriate references crossed out. Hope it is of some use in future planning.

As for the toys we talked about, I will be having a meeting this week to learn what clarifications are needed.

Privacy

You may remember we talked briefly about [redacted]. I learned this weekend he has a "very high source" at the NSC who is feeding him information about Central America and possibly covert actions elsewhere. [redacted] is working on a piece on the Agency and its involvement in covert action. He will do neither the Agency or the Administration any favors. More importantly he is not to be trusted for he will take that trust and use it for his own good and not care who he hurts. Just thought I'd give you fa[redacted] warning.

I spoke with [redacted] i[redacted] this morning. As can be expected, they are beginning to feel the heat from the decision to cut the aid. [redacted] is back peddling [redacted] Granted they [redacted] before the vote, but it is systematic of the feelings i[redacted]did say the media is playing on the decision and it is not helping [redacted]. I [redacted] tell him there are people doing all they can to try and get them some help, but they have to understand between now and October it will be difficult.

I just returned from a meeting with the individual who has access to the contacts for the toys. If this is to be a reality, he would like a meeting with you. He does not know whom I'm dealing with and won't until it is necessary. He believes it can be done, but as you suspected there probably will be some quid pro quo. It may only be assurances that come December or January certain equipment could be purchased from here or possibly even from a third country. He does not speak for the party in question, but does have an idea what they might want.

Would suggest a meeting to hear him out, then the next move can be figured out. He will not make contact until there is an indication this possibility is known within certain circles. Will be happy to meet anytime and anyplace. Would suggest a neutral sight.

Tal-ked- wi My typewriter went amok.

Partially Declassified/Released on

UNCLASSIFIED

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UNCLASSIFIED

I talked with our friend in Florida this afternoon and he gave me the following information:

Immediate needs for the next 2 weeks: This would pay for rentals, food, medicine and certain necessities such as phone bills.	$100,000
They are figuring on $.50 perday per man for food as the majority are inside. Based on 10,000 people one month costs are:	$150,000
If they lowered the level of military actions they could get by on $5.00 a day per man for firecracker costs. Per month this is: He believes this is the minimum.	$1,500,000

As of yet nothing has come through from his fundraiser. To quote him, "Something must have got screwed up somewhere."

He plans on going to [redacted] on Thursday and probably won't be back up here for 2 weeks. Said if he is needed for a meeting with the individual on the toys, he would come up before.

Told him about the [redacted] idea. Thought it was good as he has never talked with them about money, but he did meet with them last year. His trip this weekend got him a pat on the back but according to him no money. "They are broke."

Any ideas and I'll be glad to help where possible. Would suggest a meeting does take place at the soonest about the toys. Obviously off-the-record with no promises, just feelers.

To close on a positive note, may I just say it is a pleasure and an honor working with you. I hope something positive comes out of all of this, but if nothing does we will have at least tried, although in this case that will not be good enough.

You and your family are in my prayers.

All the best,

P.S. Costs for refugees are estimated at $6.00-$10.00 a person per month. They estimate there are 7,000 refugees to look after. Therefore per month costs are between $42,000-$70,000.

UNCLASS

EXHIBIT RWO2

Lt. Colonel Oliver North
NSC
OEOB 392
Washington, D.C.

January 31, 1985

Ollie:

The following info came in while you were gone. Thought it was something you should know.

- Flacko is back in Miami. On Tuesday he met with Steadman Faggoth to work out an arrangement. In essence, Flacko is to assume the responsibility of training the Indians at Rus Rus. Supposedly the Council of Elders will agree to this. There are 4 people in Miami ready to go back to Honduras on Monday with Flacko and his side kick Tieador. Another 11 are supposed to fly into Miami tonight and then they all will go south on Monday and then on to Rus Rus.

  Flacko has been working on getting the support of some of the Cuban community, including: the Cuban Legion and Joe Contine (sp?); the Brigade; the Cuban Independent Movement, which is Montos's group; and Alpha 66. He hopes this support will be both financial and manpower.

  Flacko's long term goal is to buildup the Miskito and train them to the point where they can start taking land. The area he wants them to concentrate on is where there is a port and where one of the operating gold mines is. The ultimate plan is to open the port and take the gold mine. Once the port is open a boat would sail from Miami directly to the port with men and supplies, drop them off and take out the gold which is captured.

  Flacko is also setting himself up to be the one who handles all financial support for the Miskitos. Thus everything going to them in terms of support from groups in the U.S. goes through him. He and his buddy Tieador then have an opportunity to make a little on the side. At least some of the funds are to go through a company called Delphi Corporation which has P.O. Boxes in Alabama and Texas.

  A Texas businessman named Mako Stewart, of Stewart Enterprises, provided Flacko with $25,000 for financing his last trip and to begin to help the Miskito. Supposedly he is involved with the selling of bonds which supposedly just got approved by the SEC. The $ from the sales of the bonds will be divided with 60% going to the FDN and 40% going to the Miskito. Mako will funnel the 40% through Flacko, who he thinks walks on water.

  All this is being done under the guise of CMA.

Flacko came back from Rus Rus saying that there now would would seem to be have a total effective fighting force of some two to three thousand. There are supposed to be another 600 to 1000 weapons going unused. Some of them are rusting because there is no oil;"they have more than what they know what to do with."

Flacko met withthe Honduran consel in Miami today and he is supposed to be going back to Honduras in the next day or so to ensure Flacko and his people can get in on Monday.

Would seem a good idea to deal with Flacko as soon as possible. Probably will not be scared off as he believes he has done nothing to violate the neutrality act. If he is held probably will still move forward after he is let out, unless he can be locked up for a good long time. Best bet might be to dry up his funds, have someone talk to him about National Security and put the word out that he is not to be touched. But, if possible it might be wise to do this in someway that doesn't ruin whatever pr potential CMA has for the good of the cause.

Posey has been doing the best he can to either sit on Flacko or deal him out, but that is not possible because right now Flacko knows too much and it would do no one any good if he went to the press. He has got to be finessed out.

o I suggested to Sparkplug that he might want FR to go south for the meeting to provide expert counsel on security as that is his speciality. If he is available, it would be worth the trip. I don't believe leaving it to Robelo's people is the best idea. His group is probably as infiltrated as the rest. Such a meeting would be a perfect target to eliminate alot of problems and it can be done easily by a dedicated few.

o Spivey is back in California pulling together loose strings. If the $ is fond he will probably go down on Monday. He wants to spend the majority of his time with the color crew that will come out of Miami. If necessary I can babysit him while our other friend watches over a news crew.

Exhibit RWO3

UNCLASSIFIED

My Friend:

This brief letter is being delivered via a trusted courier who has no knowledge of the contents but who can help carry out some of what this letter is about. We should not be made aware of the specific details in this letter.

[redacted]

And now the best news of all:

Next week, a sum in access of $10M will be deposited in the usual account. While this must be husbanded carefully, it should allow us to bridge the gap between now and when the vote is taken and the funds are turned on again.

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So that we have a plan, I propose the following steps as highest priority:

The forces in the northern part of Nicaragua need to be dispersed so that they are not caught in the firestorm as the Sandinistas intend. [redacted] If the high ground can be be guarded, then those who harbor in those areas will be safe. [redacted]

Meanwhile, the forces and volunteers who have arrived [redacted] can be outfitted, provided with some training, and [redacted] If a regular resupply program can be established using what will be deposited next week, we can start a regular logistics program of one flight every 10-15 days and the steady movement of supplies and ammunition to the forward bases.

Most important is saving the force from what I believe will be a serious effort to destroy it in the next few weeks. While I know it hurts to hide, now is the time to do it. While they are hiding, the man who is carrying this message can start the regular resupply process. I believe it would be wise to dedicate as much as $9-10M for nothing but logistics. To coordinate a major effort such as this, I strongly urge that you bring aboard a logistics expert who is both knowledgeable and trusty. The courier should be able to help with this.

[redacted] Once the regular resupply system is in place and the troops familiar with a rotation system [redacted] hitting them hard as they phase down in frustration from their current operations and striking at selected strategic targets with your enhanced capability.

This new money will provide great flexibility we have not enjoyed to date. I would urge you to make use of some of it for my British friend and his services for special operations. I can produce him at the end of this month. [redacted]

[redacted] You and I both recognize his value and limitations. Some in our Congress are aware [redacted] This could be devestating to our forthcoming campaign to restore the funding. I will find out how much he is getting and let you know, but it seems as though something should be set aside for this purpose.

[redacted]

Request you advise me soonest regarding the deposit and destroy this letter after reading. The map can be passed [redacted] with my best wishes. Please do not in any way make anyone aware of the deposit. Too much is becoming known by too many people. We need to make sure that this new financing does not become known. The Congress must believe that there continues to be an urgent need for funding.

Warm regards,
Steelhammer

EXHIBIT RWO4

February 19, 1985

Public Relations Campaign for the Freedom Fighters

The following proposal covers some ideas which may or may not have been thought off as ways to focus attention on the situation in Nicaragua and the upcoming Congressional vote which is about six weeks away.

A major lobbying, educational and public relations effort is needed to help sway a Congress which appears inclined not to vote for passage of covert funding. Tip O'Neill has publicly stated it will be a party vote. Even the Republican controlled Senate is whaffling on covert assistance.

To attempt to turn the House around and to ensure the support of the Senate, a coherent, coordinated three pronged program should be implemented as soon as possible. The three elements are:

- The Administration
- The Broad Coalition Front
- The Private Sector

The primary goals of the effort should be:

- Putting political and more importantly public pressure on Congress to support the funding;
- Improving the image of the freedom fighters and explaining their plight and their goals.

The strategy to move Congress will be different for each of the elements, but the overall focus should be the same:

- The aid is needed to help force the Sandinista regime to adhere to its commitments to the OAS in 1979, thus opening the country to democracy, freedom and liberty, while breaking its ties with the Soviet bloc.

If any of the groups publically adhere to the theme that the Sandinistas must be outright overthrown in a civil war, Congress will vote against the assistance. By sticking to the theme that political and military pressure are the only way to move the regime towards negotiations, the moral high ground can still be claimed.

The issue of whether the aid should be covert or overt should be left to the Administration and Congress. Neither the freedom fighters or the private sector should enter that debate. The focus should be on aid period, not what type or how much.

The Administration

The strategy for the Administration is already in place and has begun to be implemented by focusing on:

- The breaking off of negotiations;
- The focus on the Soviet/Cuban ties and the Sandinistas ties with the PLO, Libya, Iran, East Germany, Bulgaria and so on;
- The major threat Nicaragua holds over its neighbors;
- The commitment the United States has to Costa Rica, Honduras and El Salvador, and the fact that should these countries see the U.S. Congress back down, they will immediately see it as a sign to loosen their ties with us while beginning to come to some sort of terms with the Sandinistas;
- The violations of the most basic rights of the Nicaraguan people;
- The treatment off the Indians.

Operationally the Administration has taken the lead in the fight for the funding and the President has come out in the forefront of the effort. This is evidenced by the:

- State of the Union Speech
- Saturday radio broadcast
- Congressional testimony

Besides constantly reinforcing the need for the aid in interviews and in personal meetings or phone calls with Congressional members, there are several other things the President might do to show support, such as:

- A photo opportunity with the young girl whose neck was slashed and then left to die;
- A White House meeting and photo opportunity with members of the Broad Coalition Front once they go public;
- A major presidential speech on national TV asking the American public to write or call their representatives;
- An appearance and speech at the Nicaraguan Refugee Fund Dinner.

The Broad Coalition Front

The Nicaraguans themselves will have to accomplish a great deal to help the cause. To paraphrase an old saying: united they stand, divided they fall. Without unity among all groups and individuals, including the Indians, they will have little chance of being successful in someday having a free and democratic Nicaragua.

The immediate goals of the united groups should be:

- To help move Congress to vote for the aid package
- To enhance and reshape their image

The long term goal is:

- To bring world pressure and internal pressure on the Sandinistas to the point where the regime is forced to comply with the OAS promises and open up the country, or if need be, topple the present regime.

The strategy to accomplish these goals can be twofold:

- To present to Congress and the world a united opposition composed of Nicaraguans from all factions joined together for one common purpose: to politically and, if necessary, militarily pressure the Sandinistas into abiding by their promises to the OAS;
- To demonstrate to Congress and the world the opposition is not "murders, rapists, and thugs" but actually ordinary people of varied backgrounds who believe in the same basic freedoms as the free world enjoys: life, liberty, and the pursuit of happiness, which translates into democracy, not communisum.

The kickoff of this campaign will be the meeting in Costa Rica when the various factions and individuals come together and form the Broad Coalition Front. By agreeing on a document that is drawnup inside Nicaragua, the Coalition will be able to point to the fact there is a united opposition, both inside and outside of Nicaragua. to the Sandista regime.

At the time of the announcement of the formation of the Coalition, there is expected to be a call for negotiations by the Coalition, with the goal of the talks being the actualization of the OAS promises. This must be emphathized and the call for negotiations publicized as much as possible as early as possible.

By calling for direct negotiations which would be monitored by the other Central American countries and the Contadora countries and mediated by the Catholic Church, a door is opened which had not been available before. By the Sandinistas turning down the call for negotiations, they will show themselves for what they are: Marxist-Leninists who will not allow freedom or liberty. If they turn down the offer to negotiate, it will provide House and Senate members an excuse they may need to vote for the funding. According to reports from the Hill, many members may be looking for just such an excuse.

This is another reason the document the Coalition agrees to standby must be of the highest quality. It must be a document which spells out specific goals and purposes of the Coalition as well as the criteria and a specific time frame for negotiations.

As time is short, a well orchestrated publicity campaign by the Coalition is mandatory so their story can be told to the American public and Congress. The best way to do this is through the media. The following suggestions and time frame might be helpful:

- Saturday: Make the announcement in Costa Rica in time for the Sunday morning newspapers in the U.S.

  Have a press release ready to be handed out at the press conference in C.R. and at the same time delivered to all the major media in Washington.

- Sunday: Place leaders of the Coalition on morning news shows in the U.S. This can be done either via satellite or have the members fly to Miami or Washington after the press conference.

  This Week with David Brinkley or Face the Nation should be approached.

  In the Sunday Washington Post or New York Times an op/ed should appear which is signed by members of the Coalition. It should state the goals and negotiating position of the Coalition.

- Monday: A news conference should be held with all leaders of the opposition in attendance. Again the goals and negotiating position of the Coalition should be made clear. As a possible backdrop, if the weather is agreeable, the OAS building might be considered.

  If possible, a meeting and photo opportunity with President Reagan.

  An appearance on ABC Nightline.

- Tuesday: Appearences on the morning news shows such as Good Morning America, Today, or CBS Morning News.

Noon speech before the National Press Club by one of the members of the Coalition. A good choice might be Pedro Joaquin Chamorro Jr.

A session with the editorial board of the Washington Post and one with the Washington Times.

- Wednesday: Committee hearings on Capitol Hill, or if this is not possible, a publically sponsored forum on the Hill for staffers.

  Meetings with individual Members.

- Thursday: The Coalition members should go to New York and hold a press conference and then have meetings with the editorial boards of the New York Times and the Wall Street Journal.

  Tape an interview for the Phil Donahue Show. More people watch this show than almost anyother talk show.

- Friday: Fly to Miami for a rally over the weekend and for an afternoon meeting with the editorial boards of the Miami papers.

At this point a possibility is to split the members of the Coalition up and send them in groups to each do a three city publicity tour. The immediate question is where does the money and organization come from? If this effort gets going a 501 C(3) can be found to fund such a tour and to organize it. Cities suggested might be:

- New Orleans, Dallas and Houston
- Denver, San Francisco and Los Angeles
- Chicago, St. Louis and Detroit, Boston

At each of the cities there would be a press conference, potentially a speech, and meetings with editorial boards of the major newspapers. If there are any TV or radio talk shows, spots should be booked.

After the tour, members of the Coalition could return to Washington to start an organized lobbying effort.

Another media event should be the Nicaraguan Refugee Fund Dinner.

When the Coalition is announced in Costa Rica, it will immediately make news, especially as the issue is heating up and because the President has gone way out in front. A media blitz where the Coalition gets its message across will go along way towards helping him sell the program. The news shows can be sold on having members of the Coalition as guests, they just have to know about the event in advance and it has got to be sold to them.

It is important to tip off the news media about the event before it happens to ensure proper coverage. in Costa Rica.

The combined Coalition should consider coming to Washington immediately after the announcement to be sure it gets the broadest possible coverage in the States. Perhaps the Coalition can even hold a press conference in front off the Nicaraguan Embassy.

Once the initial media blitz is completed, a controlled and steady stream of Nicaraguans should come to Washington to meet Members and staff, and hold press conferences if warrented.

Not only should various leaders come to Washington, including Bermudez, but such fighters as Mike Lima and El Tigrillo should be considered.

Interviews with columnists should be scheduled for the Coalition members. Both liberals and conservatives should met with, including: Buckley, Kirkpatrick, Flora Lewis, Tom Wicker, Evens and Novak, James Reston, and Michael Novak.

Publicity Tools for the Coalition

The question of the word "Contra" to descibe the fighters should be attacked head on. Perhaps it can be turned around and used to its advantage. Here are some ideas:

- Begin calling the anti-Sandinista war the New Revolution in Nicaragua;
- Begin calling the freedom fighters either:
  The Revolutionary Contras, or
  The New Revolutionaries
- The cause can be renamed one of Revolutionary Counter-Communism.

The adoption of a symbol by the Coalition to signify a unified effort against the Sandinista form of government would be a great help. Possibilities include:

- A TORCH raised high by a hand, perhaps a shackled hand. It would signify a torch of freedom, like the Statute of Liberty's or the Olympic Torch, or the light of freedom at the end of the tunnel of darkness of Communism. A torch could even be superimposed over the Nicaraguan flag.

  In Nicaragua when protests begin against the government, as they will have to, a torch is an easy symbol to carry.

- The depiction of a mountain range with 5 peaks, as seen on some Nicaraguan coins. Each mountain could signify a dream of the Nicaraguan people: Faith, Hope, Freedom, Liberty and Democracy.

At the press conference announcing the Coalition whatever symbol is chosen should be presented in a prominent way, and everytime thereafter, be it at a press conference, meeting or in a news release, or whatever, it should be worn and mentioned over and over again.

Lapel buttons can be made and handed out as symbols of unity, tee shirts can even be printed. One could be given to President Reagan if there is ever a meeting with him. They can be given to the troops and to people inside Nicaragua.

The symbol and new terminology should continually be used by everyone, just like everyone should speak of the same goals and aspirations.

Letting egos and past prejudicies get in the way now will only hurt the chances of success. Everyone must work together and speak with one voice. The unity effort must snowball and must carry on right up to and after the vote.

- An idea which may sound crazy but could have some merit as far as getting publicity down the road is having a song written about the freedom fighters and their struggle for freedom and democracy. Ideally, one which could be translated into either Spanish or English and sung by an American artist and can be made into a hit like the Ballad of the Green Berets. Such a song could generate publicity, especially if sung by a country western star. Admittedly this is hokey, but it could sell.

In summation, the following can and should be considered before and after the announcement:

- An agreed upon strategy of forcing the Sandinistas to adhere to the OAS commitments, nothing more, nothing less:
- A major media drive after the announcement including:
    - a press release delivered at the same time
    - an op/ed in the Post or Times
    - appearances on news programs
    - Coalition visit to Washington
    - Meetings with major editorial boards of newspapers
    - a major lobbying effort
    - cross country tour
- Choose a symbol to represent the Broad Coalition and then prominently display it wherever possible:
- Attack the use of the word "Contra" or put the use of it to advantage in a positive light.

These are just ideas, some may or may not be workable because of timing, such as the visit to Washington, but some do have merit and should be considered.

The Private Sector

Private groups and citizens in the U.S. can and must actively work together to help push the funding through Congress.

Such groups as the American Security Council and the ones which have joined with it in the effort are doing their share. The speakers bureau is excellent, but there must be moderates as well as conservatives

These groups will do best to get grassroots support for the vote. By targeting home districts of swing members, the cause will best be served. This can and should be done as planned through:

- Speakers bureaus and traveling road shows
- Direct Mail
- Advertising
- Rallys

There are several other possibilities which come to mind, some of which may or may not already be undertaken:

- Formation of a group of prominent Americans who believe aid to the Coalition is morally right and justified;
- A documentary for television to be sold to a news organization or put up on satellite;
- A 20 minute version which can be shown to Members and staff;
- Endorsements of the Coalition by major groups such as the AFL-CIO and others;
- Demonstrations in Washington and across the country by groups supportive of the aid;
- A television, radio and/or newspaper ad campaign;
- Use a tactic which has gotten a lot of press recently, sit-ins at the Nicaraguan Embassy by prominent Americans and church leaders. Do exactly what Tutu did and start with members of the Coalition. Admitted it is not a new idea, but it sure got press.

The prominent group can be formed for the short or the long haul. Either just to help with the passage of the funding, or to stay in existence until Nicaragua changes.

As Chairman, perhaps Dr. Kissenger since he was Chairman of the Bi-Partisan Commission. Board members could include members of the Commission, past National Security Advisors, scholars, church leaders, ex-military, and perhaps even entertainment people like Clint Eastwood, Charlton Heston and others. Nobody sells ideas to Middle America better than actors they can identify with. Another possible Chairman is Jeane Kirkpatrick, who would be great.

A public relations effort could be set up where members go on the road to spread the word, or at least go on national news programs or write op/eds. An open letter could be sent to Congress and then placed as an ad in newspapers across the country.

A major press conference could be held where many of these people are in attendence and they publically embrace the Coalition. Some of or all of the members could be in attendence. It would be difficult for the American public to see Democrats and Republicans, conservatives and liberals supporting the Coalition while Senators and Congressmen are backing away.

Possible locations for such a press conference would be on the steps of the Capitol or in one of the Congressional office buildings. Or, such a prestiguous group could be invited to the White House for a luncheon with the President and the Coalition could be invited.

If neither of these are acceptable, a reception could be put on for the Coalition and Congressional Members and prominent supporters. A 501 C(3) no doubt could be found to sponsor such an event.

If an organization is formed, money could be raised for advertisements, provided there is strong leadership and the President blesses the group.

This paper has provided some ideas which could bring positive press to the issue. Some will need further exploration, others will be discarded, but time is short and decisions must be made. The necessary leadership is needed to put at least some of these possibilities into action. Putting them on paper is only a start.

Exhibit RWO5

March 11, 1985

Public Relations Paper # 2 for the Freedom Fighters

This is a follow-up to a previous paper on ways to build public support for the freedom fighters. Many of these ideas are possible because of the "Document" released in San Jose on March 2, 1985.

The following suggestions should be implemented immediately, if they or similar ones have not been done so:

- An open or individualized letter to all Senators and Congressmen from the Unity Coalition or its representative with an attached copy of the "Document on National Dialogue of the Nicaraguan Resistance".
- Senate, House or a Congressional Resolution calling for support of the document and for the Sandinistas to respond. Obvious sponsors are Dole, Lugar and Domenici on the Senate, and Wright, Solarz, Hamilton, Alexander or others on the House. It should be bi-partisan.
- Statements of support for the document in the Congressional Record.
- Op/eds in the Journal, Times, and Post by Calero, Cruz, Robelo and Chamorro.
- A steady flow of Nicaraguan anti-Sandinista visitors to the U.S. and Washington.

The Document opens the door for negotiations until March 20, 1985. But if no Congressional office knows about it, how can they support it. The obvious hope was to have gotten press coverage in Costa Rica when the Document was released, as this did not happen the information must be put out by the Coalition as well as by the State Department.

If the Sandinistas do not respond to the opening, it is only logical a direct plea for assistance from the United States be made by the Coalition. This should be a public plea which gets the attention of the press and Congress. To focus attention on the request, it must take the form of an event which merits press coverage, not just another press conference which is written about on page A 14.

A possibility is for the event to coincide with or just precede either a major presidential speech or press conference where the President can make mention of the event. It may be too soon, but March 20, the deadline for the Sandinistas comes one day before a scheduled press conference for the President on March 21 (at least there has been mention of one on that date).

The Event

A plea for assistance must be dramatic and must catch the attention of the press, Congress, and most of all the American public.

The event must have a focus. Ideally it might be a document similar to the Declaration of Independence. Something short and to the point. Or it might be an open letter to the American people and Congress asking for the support to carry on their struggle for liberty and freedom. Whatever it is, it should be signed by leaders representing all factions, and as many leaders as possible, from both the political and military opposition.

In essence, it is a follow-up document to the Document on National Dialogue. It is the necessary next step.

Whatever the document is, it can be used as the focal point for the press conference and for the plea for assistance.

Location

As the press conference is to ask for American support, it should take place in the U.S. The obvious place is Washington, but another possibility is Philadelphia.

Following the American tradition of love of liberty and freedom, the Coalition might consider adopting the Liberty Bell or a Church Bell as their symbol for hope and freedom. If this is the case, a press conference held in front of the Liberty Bell or on the steps of Independence Hall would provide visual material as well as be attention grabbing.

Having the press conference at one of these historic sites as well as announcing a document which might be similar to the Declaration of Independence, or a document asking for direct U.S. support would make the news.

If the Liberty Bell is adopted as the symbol of the pro-democratic groups, a good pr gimic would be to have, if possible, church bells rung in Nicaragua at a designated time. This could be orchestrated by the internal opposition.

Representatives

In attendance should be Calero, Chamorro, Cruz, Robelo, at least one Indian representative and others.

Symbolically, it might worthwhile to have at least one refugee representing each of the three major areas of the country: the Atlantic zone, the North and the South, as these are the people who will ultimately be helped.by the aid.

Another possibility is including three fighters who recently have come out. Again, they can represent the Indians, the FDN and ARDE.

Washington

If the press conference is held in Philadelphia, it should take place in the morning, then the group could board a train for Washington for another press conference or rally on the steps of the Capitol. The train ride would provide a time when reporters could interview the opposition, the refugees and the fighters. If this is too much time, the group can fly.

Upon arrival in Washington, or even if there is no event in Philadelphia, there should be a press conference or event on the Capitol steps, or someother Washington landmark. In attendance should be key Senators and Congressmen who join the Coalition members in asking the American people for support.

In addition to the Nicaraguans and elected officials, representatives from other Central American countries could be invited. To show solidarity with the freedom fighters, representatives of major U.S. organizations should also be invited, such as the AFL-CIO, VFW, American Legion, Teamsters and so forth.

This would be a perfect time to announce the formation of a group of prominent Americans who will work to help get Congressional funding. Jeane Kirkpatrick or some other notable with sufficient recognition should be approached to be the spokesperson.

To coincide with the event, President Reagan could invite the leaders of the Coalition to the White House and embrace them publically, or make mention of the event at a press conference or in a speech.

Should these events take place on a Thursday, the weekend shows might be sold on using one of the leaders, or possibly the Friday morning shows or ABC Nightline would air a segement.

U.S. Tour

At this time it does not look like even the support of the President will be enough to push the aid package through. Tip O'Neill and other Democratic leaders have invested too much capital in killing the program. The American people must be mobilized to contact their elected representatives. It is only through this mobilization that the aid will pass.

To accomplish this the freedom fighters and Coalition must go direct to the people. They must get out to the cities and towns of America, they must reach out for help.

At least three or four 3 city tours should take place. One each should be led by Calero, Chamorro, Cruz, Robelo and an Indian leader. Accompanying each representative could be a refugee and a fighter, all with unique stories.

The tours would meet with local editorial boards and hold press conferences and meet with various local leaders, church groups and so forth. The idea is to spread the word about the situation in Nicaragua and to show the freedom fighters for what they are- freedom loving people who don't like communists.

If such a strategy is decided on, the funding should be able to be found and advance programs organized. Even in such short a time it can be done.

Other Efforts

- There are two people taking depositions and gathering stories of Sandinista human rights violations since 1983 presently in Honduras. Need to get them a video camera to tape the interviews, otherwise they probably will not be believed. Two examples:

    - Within the last year the Sandinistas threw a grenade into a private home where there was a prayer meeting going on. Seven people were killed including the younger brother of one of the witnesses.

    - A refugee came upon a mass grave where he recognized two people he had previously been in jail with; they had not been released. This was verified by the victim's family.

  Bring these two people to Washington and hold a press conference and release the video tapes and supporting documentation.

  One would like to go on to Nicaragua before coming back to the States, this way he could get the Sandinistas' story.

- Bring to Washington two field commanders who recently came out of Nicaragua. One had about 680 men and was one of Pastora's top commanders. He how is joining the FDN in the South. He goes by [redacted]

  The other is called Diplomatico, and is one of Brooklyn's top commanders. He can talk about what is going on in the Atlantic zone. He was chosen by the Elders to come out and seek help.

- Bring to Washington the President of an organization in Costa Rica called Asociacion Democratica Costarricense. His name is Orlando Castro. His group represents middle of the road Costa Ricans who are helping the Nicaraguans and believe the U.S. must help. In 1983 his group got 30,000 (or it may have been 300,000) names on a petition of support for President Reagan's policies in Central America. They came and gave it to the President, now they would like

Exhibit RWO6

UNCLASSIFIED

The attack is [redacted] [illegible]
but, i[redacted]
[illegible] to go through [redacted] [illegible] [redacted]
Believe they'll have [illegible]

[redacted]

• Would like to have 5 people [illegible]
[redacted] if he were to think it must cost
[illegible]

[illegible]

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Partially Declassified/Released on [illegible] 1987
under provisions of E.O. 12356
By B. Reger, National Security Council

UNCLASSIFIED

UNCLASSIFIED

[redacted]

Priority List

(1) – [redacted] BOATS – 35' Lng X 6' wide

(2) – AUTboard MOTORS – 65 H.P. and 55 H.P.

(3) – bullets for – AK 47's – for 300 me

(4) – " " – M14 – " 200 "

(5) – " " – M60 – " 12 "

(6) – " " – M79 – " 40 "

(7) – " " – RPG 7 –

(8) – – 60 MORTARS

(9) – — GRANADES – for 1000 m

(10) – Pair os (M) boots – # 6-7-8-9-10

(11) – Uniform – # 30-31-32- etc.

(12) – Transceiver Radios

(13) – AK 47 ~~([illegible])~~ MAGAZI NS-65

(14) – [redacted] – [illegible] –

(15) – Belt

(16) – hats

UNCLASSIFIED

[illegible]

⑰ - [redacted] KAIMUR- MINES Clayma-

(18) - [redacted] Pairs Of SACKS

(19) - [redacted] WAKITAKI RADIOS

(20) - MAGAZINES for AK47 [redacted]

(21) - MAGAZINES for M14

(22) - OPEN a CREDIT LINE ~~farra~~ with a HARDWARE Store in [redacted] [redacted] for The following MATERIALS for The people.
  - (a)- hatchet
  - (b)- MACHETE (Large heavy Knife)
  - (c)- File (Lima)
  - (d)- Etc for Farming

(23). OPEN a CREDIT LINE with a [redacted] Pharmacy in
  - (a) Medicine for Civilians
  - (b) " " Warriors inside

B-[illegible] 6 at

Dar } [illegible]
Djibouti }
[illegible] }

UNCLASSIFIED

EXHIBIT RWO7

TO: The Hammer April 1, 1985

FROM: T.C.

SUBJECT: Southern Front

The following paper discusses a series of meetings the author has had over the last several weeks concerning the future of the Southern Front. These meetings took place in the South and in Washington. The most recent ones were held on Friday and Saturday, March 29 and 30 in Washington.

Project for Reconstruction

The Project was conceived by seven people. They are:

- Leonel Poveda Sediles
- Carlos Coronel
- Guillermo Mendieta
- Luis Rivas Leal
- Alejandro Martinez Saenz
- Harold Martinez Saenz
- Juan Zavada

Meeting with me in Washington were: Poveda, Mendieta, and Alejandro Martinez.

The meeting was originally proposed and setup by Arturo Cruz Jr.

About four months ago some six of the seven came to Washington,at the urging of Nat Henry, to meet with Senator Helms. They gave the Senator the attached paper and discussed their idea but they never heard another thing from the Senator or his staff. Out of desperation they came one more time hoping to meet with the Hammer.

I had met Poveda during the summer of 1983 when I visited Costa Rica. He recognized me and was glad the meeting was with someone he knew. All three realized the reasons for the meeting with me instead of with the powers that be.

The concerns of these people and who they represent are valid. They include:

- Lack of leadership in the South
- An alternative to Pastora
- Lack of coordination between several small groups now operating
- The need for a new organization to mount operations

In essence, these people are offering their services to structure and organize a new southern front.

They say they represent El Negro Chamorro's camp, which now consists of some 43 men under the command of Jose Robelo (Chepon), and another camp which is under the command of the Cubans and Calero's people. This last camp is actually under the day to day command of a Nicaraguan named Jesus, but overall is under the wing of Pape.

Before coming to Washington, they said they had met with El Negro and had talked with the Cubans in Miami who are working the other camp. The former is true, but they did not come representing the Cubans or the other camp.

Poveda said he and Carlos Coronel had had breakfast with Calero on March 2 in Costa Rica and had discussed the possibility of building a new southern command structure. According to Poveda they have Calero's blessing.

The new organization would fall under the political leadership of UNIR and the new Nicaraguan Democratic Resistance. Militarily it would come under the command of Leonel Poveda, who along with the other seven would help structure and command the new force.

The crux of their plan is to develop small bases of no more that 100-150 men several hours away from each other on the Nicaraguan side of the border. See attached map. Initially they want to start with 150 men.

These groups would be resupplied by purchasing the food and other basic necessities from the small towns and villages along the Costa Rican and Nicaraguan border. They would not buy the food and other material in San Jose and truck it out like Pastora used to do.

Weapons and ammunition can be purchased on the black market to start. AK's go for about $300 a piece. An inventory of their equipment is attached. Once things get moving, they believe material can be either airdropped or flown into small fields. This was done and is still being done to bring supplies into Pastora and the other groups. There are strips big enough to land a DC-3 on.

To accomplish this effort, Poveda would like to start with some financial backing on a monthly basis. He is more than willing to account for all funds spent. Attached is an initial estimate of immediate needs for funds. On top of this, they would like to start with a minimum of between $150-200,000. This would cover the expenses of moving a couple high level people back to CR, including Luis Rivas and Martinez or Mendieta.

They believe the time is right to begin establishing a new structure. There are many people who are financially on their last legs and if this does not come through they will have to abandon the fight, so they are in hopes something will work out.

Obviously, they hoped for an answer in the near future. I put them off and said I or someone will get back to them in the next two to three weeks.

They believe they are capable, have the leadership and the knowledge necessary to undertake this effort. Although they will operate in the south, they will stay away from Pastora and not infringe on his territory. They will work closer to the Pacific. It was stressed they would work in concert with the North.

One last comment that they made and has been made by others: some of Pastora's field commanders are ready to join any side which will provide them with food and medicines. They have not been resupplied in at least 8 months. In fact, several of his commanders want to leave and actually aren't controlled by Pastora, he just talks with them over the radio. These include according to Poveda: Lionel, Sam, Oscar, and Navegante.

Others who will leave include two Panamanians , [redacted] who between them have about 1000 men supposedly.

UPDATE APRIL 9, 1985

Sparkplug has decided to go with El Negro Chamorro as the military commander of the South. There will be a political/military council which will have supervisory capacity over Chamorro. This will be made up of:

- El Negro Chamorro
- Donald Lacayo
- Indalacio Pastora
- Picasso (who is married to Calero's wife's sister)
- Poveda (possibly and others)

Pape has broken down the camp that was under him into 4 small camps and thus spread the men around. He is waiting for equipment to start coming in from El Salvador. Moral is good and the men will start working in small teams.

The concern about Chamorro is that he drinks a fair amount and may surround himself with people who are in the war not only to fight, but to make money. People who are questionable because of past indiscretions include:

- Jose Robelo (Chepon):potential involvement with drug running and the sales of goods provided by USG.

- Carlos Coronel: Talks with all sides, potentially too much with the Sandinistas and is making $ on the side.

- Leonel Poveda: Rumored to have been involved with the sale of goods and pocketing certain"commissions"

- Sebastian Gonzalez (Wachan): Now involved in drug running out of Panama

- Alvaro Cermeno (Tadeo)

- Julio Bigotes

- Hector Sanchez

- Sebastian Gonzalez (Wachan)

These are just some of the people Sparkplug and others should be wary about.

Whatever structure is established for the South, tight control must be kept on the money and resources. In the past it has been too easy to sell goods and too many people have learned how to make a good living off of the war. Money and equipment must be accounted for and when there are differences, examples should be made.

CMA

Posey has an individual willing to outright donate between 70,000 and 80,000 lbs. of medical supplies to the effort. It is a wide assortment of goods and someone will have to look at it to see what is good and what isn't. It is now located in South Carolina.

The material can be shipped as far as Alabama by the individual who is going to donate it, but it has got to get from Alabama to New Orleans.

Flako is back in business. He has established himself in New Orleans and is working on some new scams. He is staying at the Providence Hotel. It is time someone paid him a visit and told him to go back to the hole he comes from.

EXHIBIT RWO8

To: Steelhammer August 7, 1985

From: TC

Subject: Indian Situation

The following information comes from a meeting I had with the Indians today after sitting in on a meeting they had with Adolfo. In attendence for the Indians were: Alejo Teofilo - Member of the Directorate
Rev. Molins Steth (sp?) - Pres. of the Elders
Raul Tobose - Chief of General Staff
Cirilo Wilson - Council of Elders (?)
Roger Herman - Political Council
Wycliff Diego

Attending in the maim meeting for the FDN were: Adolfo, Aristedes Sanchez, Oscar Montes, Indalacio Rodriguez, George and myself.

- The Indians want the Assembly to take place as soon as possible. They say they are getting lots of pressure from the refugees, the fighters and the people inside.

- They want Booklyn, Steadman and Jennelee Hodgson to participate so that later they cannot say the Assembly was not fair or honest, or that they were not included.

- The Assembly is to allow the people to choose what course they are to follow. It is to unite all the Indian and black factions into one organization. Afterwards there will be no Missoura, Missourasata, Missourasata SICC etc. There will be a new name and even ASALA will be no more. Even the Council of Elders may change. In essence, the Assembly will be wide open.

  It is the hope of the Indians to choose a new directorate, probably 5 people with one being the chief spokesman. This group will still probably be under the Council of Elders. Underneath the Directorate will be a political staff and a military general staff. These groups will represent the whole Atlantic coast and all the Indians and Blacks.

  They want the Assembly to take place in Nicaragua, just over the border. It will probably only last two or maybe three days. Approximately 700 - 800 people are expected.

- Those in attendence believe neither Brooklyn nor Steadman want the Assembly to take place. Their reasoning is neither one may think they have enough backing to be elected.

- On July 22, Steadman did tell me he didn't think they should have the Assembly for another two months as he wouldn't be ready.

- In Brooklyn's case, the belief is he is only somewhat popular where he comes from, not throughout the Coast as he would have you believe. They see his travels to Canada, Europe and elsewhere as delaying tactics. While I was with them they received a call from Armstrong saying Brooklyn would not be in Costa Rica for another week, and then it would be sometime before he could meet Wycliff in Miami to discuss the Assembly.

- The group believes Steadman is trying to steal the Assembly with FDN money, as he is going around the Council of Elders and others and is not working towards making the Assembly a success. He is working only for Steadman.

- They did bring up the point that the three most vocal and visible Indians: Steadman in the North, Hazelow (sp?) with the Sandinistas, and Brooklyn in the South, all had gone to school together and still supposedly secretly communicate. Even though they are three of the most educated Indians, they nolonger truely represent the people they say they do for their egos and their own importance comes first; the people second.

- On Friday August 9, Diego, Archibald and Teofilo are planning to fly to Miami and then come to Washington on Monday August 12 for meetings with the White House, or whoever will listen. They have asked the FDN for the money to make the trip. I suggested they check with George first to see if the timing is right.

- The main reason they are coming is to present a budget for the Assembly and to explain what they hope to accomplish with it. They said they were going to ask for $120,000. I'm still not sure if they meant Limps or dollars. Either one is too much; told them to revise it way downward and if they come to come with a new budget.

  The reason for the large sum is so they can invite Indians from the U.S., Canada, South America and then reporters and Europeans. They want to show the world they have democracy and who really speaks for them.

- Relations with the FDN are extremely strained. This is the fault of the Indians. They say they are getting no help, yet they have gotten an estimated $30,000 and another L265,000, plus millions of Cordobas since last July. This does not include the money they have gotten in the States or transportation costs. When asked by Adolfo why they lie the response is to get more money which they say they need.

- Adolfo believes Steadman is the only way to combat Brooklyn, thus he is being backed with money, yet the Indians say Brooklyn will not be a factor. The risk is there.

Military Situation for the Indians

- After the Assembly it is their hope to reorganize the General Staff so that it will encompass he North and the South under one command.

- At present Alejo Teofilo is to be the coordinator for finances and military needs with the FDN. Roger Herman is to do it in his absence. One of the major problems to date is there have been too many people going to the FDN saying they need this or that for the troops or for political purposes. Thus there is confusion, there are no priorities and money does not necessarily go where it is supposed to.

- They desperately need communications equipment. The people in Tegu have a very difficult time communicating with Rus Rus. This week they had not been able to talk with Rus Rus since last Friday. There is no radio in Port Limpura, yet this is where most of the supplies and people go since the FDN doesn't want to fly into Rus Rus.

- They say they would like military advisors who are qualified and professional, not a bunch of Wackos. Will use whoever General Singlaub sends in providing there is verification and veto ability if the person turns out to be bad news.

  They need demolition training, communications, administration, logistics, general staff, ie. the works.

- Most important they need uniforms and boots right now.

- There is little food. In fact they say they have received nothing from Friends of the Americas in the way of help, even for the families of the fighters. It has been almost two months since Nicaraguan Freedom Fund gave Woody $50,000 and according to the Indians they have seen none of it.

- They have two trucks which barely are working, so transportation is important.

- Sam Hall is being asked to leave Rus Rus on account of not wanting Gringos around for the Assembly. Afterwards he will not be invited back as he wants to go inside too badly. See attached letter which has been sent out to him.

- I have suggested to Adolfo they get nomore arms or ammunition until after the Assembly and they have a clearer idea where they are going. Would think if there are boots and uniforms they would be grateful.

- In conclusion, the Indian problem is a mess, the sooner there is an Assembly there better for all.

EXHIBIT RWO9

TO: BG: FOR YOUR EYES ONLY

August 25, 1985

FROM: TC

SUBJECT: August 19, 1985 Trip

Itinerary: August 19 - Washington-Miami
20 - Miami-San Jose
21 - San Jose
22 - San Jose-New Orleans
23 - New Orleans-Washington

Meeting with [redacted] and [redacted]

This took place in [redacted] office and in attendence were [redacted] and [redacted] Very cordial meeting with the emphasis on where the best place to locate the farm. Two sites were discussed, but the decision was made to use just one, as there would be less chance of discovery.

The area decided on is on the west coast, bordered by a National Park on the north, the ocean to the west, the Pan American Highway to the east, and mountains and hills to the south. The property is owned by an American living in New York. It is managed by a Colonel in the Civil Guard who will be glad to turn it over to [redacted] who has been designated by [redacted] to be administrator for the project. Am presently waiting for the name of the American so information on him can be found out and he can be approached by a company wishing to rent the land for a year with the option to buy. A guess is the cost will run between $10,000 and $20,000 for a year.

The cover for the operation is a company, owned by a few "crazy" gringos, wanting to lease the land for agricultural experimentation and for running cattle. A company is in the process of being formed. It might be a good idea to have it be a Panamanian Company with bearer shares, this way no names appear as owners. The gringos will own two planes, registered to the company and duely registered in the country in question. Cattle will be purchased as will some farming equipment and some land plowed.

The main house, which sits next to the Pan American highway, will be vacated and used by the Gringos. It will be possible to use third country nationals, although this was not extensively discussed. The Colonel will provide a cook, the peones to work the farm, and security.

A number of improvements will need to be made to the property. They Include:

- Building an airstrip next to the main house
- Putting in gas storage tanks by the house and a hangar and maintenance shed
- Building a road usable by 4 wheel drive to the 2nd site, about 10,000 meters
- Leveling and grading a second strip, about 800 meters
- Drilling a well by this site
- Building storage facilities
- Clearing a road to the beach

Once the new strip is completed it will be designated a military zone and will be guarded by the Colonel's people. The cover is it will be being used for mortar and rifle practice. There are no houses or farms near by and the strip is right off the water and in a draw between two ridge lines, so it is well out of sight.

Initial costs for the project include:

- Construction costs
- Purchase of at least two vehicles, both 4 wheel drive, a truck and pickup
- Cost of land, cattle and farming equipment
- Establishing the company, lawyers and registration costs
- Colonel's costs; should not be too high
- Salaries for gringos
  - Air ops (Spanish speaking)
  - 2 pilots
  - Mechanic
  - Loadmaster/packer/rigger
  - Civil engineer to oversee construction of the strips
- Registration of two planes in country
- Fuel

Requirements in the States for the project:

- Form company
- Off shore bank account
- Contact and negotiate with present owner
- Budget project
- Contract personnel

Next trip to the country should be with a civil engineer and air ops officer to begin the project with site survey, follow-up meeting with the Colonel, transfer of the property, establish company, begin construction.

The time table will depend on how quick the company is formed and personnel contracted.

The rest of the meeting was spent discussing the move of forces away from the border area. They want this done as soon as possible. They might be willing to help facilitate the move by providing trucks to take the people to a jumping off point. [redacted] was more in front then his boss. It was left that they would be kept informed.

They were concerned with a base reported to be some 10 to 15 klics inside. If it was still there this weekend it was to be raided.

It was a very positive meeting and they want to work with us, but there are obvious concerns. The biggest on both sides is how long the operation will remain covert.

Meeting with Robelo

On the evening of the 21st I met with Robelo at the request of [redacted] This followed our previous meeting and [redacted] thought I could reinforce the need for Negro and his boys to move quickly. A number of issues were covered and as we already discussed them I will just briefly mention the significant points.

The Move: On Friday a decision was supposed to be rendered as to how best to carry out moving the approximately 280 people and some 16,000 lbs of supplies. The only two viable options are either :

- Across the lake after an air drop to include rubber boats and motors.
- By truck at night without equipment to a location probably above Boca San Carlo, the equipment would follow.The heavy stuff could even be cached, then picked up later and air dropped in once they are settled.

Once a plan is finalized it will take a period of time to set up the logistics. Earliest possible time for a jump off is probably at least10 to 14 days. Even then it is pushing it the way these people operate.

There is resistance against the move, especially by Negro and his staff. They will drag their feet as long as possible. They complain they don't know the area.

If they go by boat they will have to be supplied with the following:

- Between 8 and 10 18 ft. zodiacs
- The same number of motors plus an extra 3 in case of breakdowns. They should be probably around 50 hp.
- Fuel tanks to be used for the motors.

This could be done by air out of Salvador.

They would move across the lake to between San Miguelito and Morrillo. The trip would take about 6 hours each way and would require a number of trips depending on the number of boats.

Meeting with Pastora and Negro: Pastora wants Negro to join him and work with BOS. Says the Gringos are out to screw Negro, thus he should protect himself and his people and join BOS. He reminded Negro if he goes inside he goes into his territory.

Negro believes Pastora is finished. His people in the field only talk to him on the radio in hopes he will beable to supply them with ammo or whatever.

Human Rights Violation: The internal investigation shows Chepon did order the torture and the ultimate execution. It was decided Negro should decide what punishment he deserves and was supposed to decide by Friday. He gave Robelo indications if Chepon is forced out of the movement he may choose to resign. If this is the case, the whole movement may be better off. If Negro decides on this course of action, it was suggested to Robelo he and Cruz go public immediately to get a jump on the press.

BOS: It is thought the organization may be receiving as much as $50,000 a month for expenses and travel; most probably from Perez.

Robelo's Personal Feelings: To quote Robelo, "I'm tired of the lack of equivalency in the Triple A. Cruz and I were integrated into the FDN to clean their face."

Major things he is concerned about include:

- He has not received his $30,000 for August.
- Calero gave Fred budgets for the FDN in the Miami meeting, including one for an FDN Red Cross, not an UNC Red Cross.
- [redacted] took Calero's side in the meetings in Tegu on almost every issue.
- By the next meeting of the Triple A he wants an inventory of money funneled into the FDN and where it is going.
- Wants to be consulted on what is bought
- Made it very clear he will not accept anymore money from Calero.
- Is finding it extremely difficult to work with Calero as he believes Calero looks on him and Cruz as appendages, not equals.

He made it clear he was not threatening to quit, yet. But he also wanted the message conveyed that things must change and he expects Calero to be more accommodating, or at least to make a pretense of it.

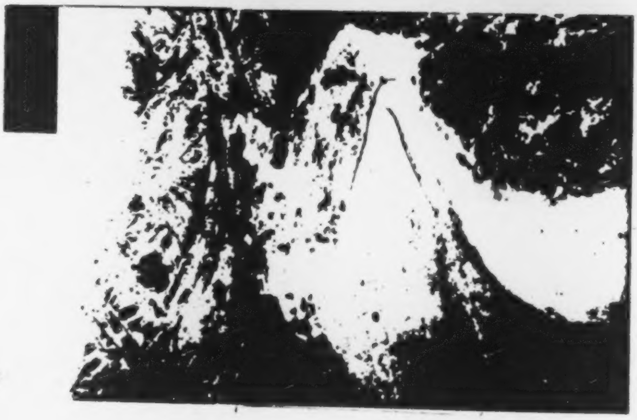
Meeting with Wycho

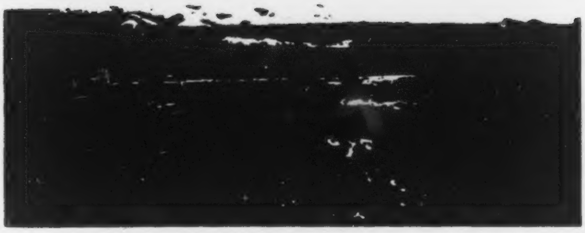
I flew to New Orleans and spent about 6 hours with Wycho on Thursday night. I brought him as up to date as possible and answered his questions as best as possible.

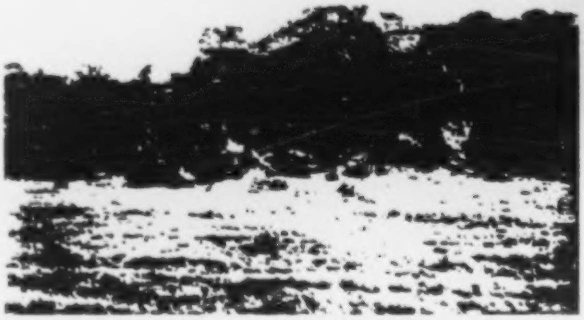
His concerns were what was going to be the CR's stand, would his financial situation be taken care of, and deep down he was subtly asking if he had what it will take, or was he walking into a no-win situation. I think this is his biggest concern; that is why I promised he would have a gringo by his side to advise him and provide him with as much help as possible.

If he decides, he would like someone to call or visit his boss to explain the situation as he believes he owes him a great deal, including an explanation.

His decision is due on Monday, August 26.







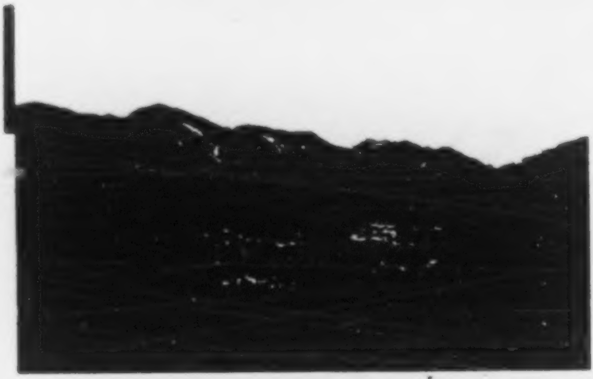


EXHIBIT RWO10

To: Ollie North November 26, 1985

From: TE

Subject: Political and Military Report from Trip

I. Honduran Political/Military Situation

You should meet with Jerry Clark soonest to get a full briefing.

In essence, the Hondurans want a high level delegation to visit and let them know what the U.S. intentions are regarding our Nicaraguan policy and what we plan to do with the UNO/FDN forces. Without such a briefing, nothing will move. They will not be snowed; they want concrete answers.

This pressure comes at this time for several reasons. They include:

- Their elections
- They want to know if a deal was struck in Geneva regarding Nicaragua
- The problems with the last two shipments by plane
- [redacted]

The coming change of the Honduran Administration is as good a time as any for them to change their policy. Other signs and possibilities to consider as options are discussed include:

- Suazo still has time to cause problems before he turns over the presidency. He will not forget the U.S. is one of the reasons he cannot stay in power. It is not above him to apply pressure through squeezing the FDN.
- Azcona has been accused of not being Honduran or nationalist enough, therefore he may try to be more nationalist than anyone. To show this nationalist spirit, he may just decide to give the gringos a hard time with their pet project.
- [redacted] is now making the decisions regarding the FDN. [redacted] (sp?) has been pushed to the side and consensus now rules.
- The Agency is not trusted by the Hondurans

If a high level delegation goes, as it should, would suggest the following:

- A letter or some sign from the President
- A briefing on the Geneva talks

- Should the okay for a hospital and flight resumptions be given, a contact be established between NHAO and the Hondurans, or the ban be lifted preventing Arcos and NHAO staff from traveling to Honduras. If this cannot be done, setup a channel for a U.S.G. insider or another outsider to be able to make contact with the Hondurans if it should become necessary to discuss NHAO's work.

II. FDN

Presently there are some 10,000 armed fighters in Honduras. This is probably another concern of the Hondurans. It is a catch-22 because these people cannot go back inside with out the boots, ponchos, etc. which are in New Orleans, nor can they easily move without the uniforms, which the Hondurans may or may not have given to them by now.

Politically, there seems to be a growing schism within the FDN in Honduras. Aristedes Sanchez has taken over as the strong man when Adolfo is not there. Because of this, among the technocrats who get the job done, such as Frank Arana, Romano, Oscar Montez and so on, there is some discontent. According to [redacted] these problems will disappear if Adolfo were to spend more time in Honduras. He can put a stop to the backbiting and interse politicing. Without Adolfo, the problem grows.

There is tremendous concern among the cadre as to where this is all going. They see things stopped and they want to know why. The longer it goes on, the more the morale will drop.

Adolfo is feeling he is lied to by everyone. He doesn't trust the Agency, the Hondurans, Cruz and Robelo, or anyone. At this point the only one he may listen to is you. He also is finding it difficult to keep going to Honduras and having to tell people things will get better and the planes are on the way etc. when nothing is moving.

III. Kisan

A mess is the simplest explanation. Wycliff cannot carry it off as leader. He is listening to a fellow named Harry Bodon (sp?) who has taken over as his advisor. This week when JenneLee was in Miami trying to talk with Wycliff, she had to go through Bodon, and even then he was the one who would give her Wycliff's answer to questions she had.

Bodon is suppose to be a good friend of Valdevia's. Bodon also was supposed to be an advisor to Steadman.

Jennelee is frustrated by the whole Kisan movement. There is no coordination, no organization and nothing moving forward. Without Alejos Teofila, Roger Herman and Jennelee, Kisan would be a disaster.

There is a meeting on the 27th in Miami between Valdevia, JenneLee, Wycliff, Teofilo, Busby and Zelia f4om the south to try and work out the problems. I doubt anything good will come from the meeting. If this is the case, we may lose JenneLee.

Militarily there is movement in the North. The FDN has been supplying them with some necessary items, and another request has been made.

In the South, things look bright if we can supply the necessary items needed. Risa, a Panamanian friend of Spatafora's, is ready to go inside with a small group to make contact with the different Indian and Creole factions below Bluefields. He will make a survey, find the needs, leave some radio communications equipment and set up some signals for drops. Upon returning to Costa Rica he will help establish a staff and support structure. He has met with Carlos Ulvert and JenneLee and is accepted by both.

The main problem with the South is there is no structure for Kisan and there are some elected Kisan members who will not accept Jennelee. By rights she should be the political leader down there. We are trying to make it look like all supplies come through her. The problem is Wycliff Diego does not want to fully support her.

The best bet is to develop a structure for her. A military leader must be found to take that weight off her.

Unfortunately another crazy gringo is running around in Costa Rica saying he personnally represents the State Department and the White House. He goes by John Kattle, but that is not his real name. He has talked to Cruz and others and those we do not have contact with are believing him. [redacted] is working on trying to get him cut off.

One of Brooklyn's boys called me collect yesterday and said he wants to meet me next time I go down there.

IV. Costa Rican Situation

Under Carlos Ulvert, great strides have been made. Blackie is looking for a military coordinator who has the background necessary to accomplish something positive. With Carlos' help it may be possible.

A major problem is the inability to bring in goods from the outside. These goods would include boots, pacs, uniforms. To accomplish I would suggest a meeting between you and [redacted] If he is going along with the other project, I'd think he would allow humanitariun goods to be brought in the country. Also, it would not be a bad idea for you to stroke him a little more. This last bit is from [redacted]

Should it be needed, we have been offered a 74 ft. fishing boat which can carry more than 50,000 lbs. It has radar which reaches out 80 miles as well as the latest navigation equipment. The owner will allow it to be used for whatever purposes necessary. It is located in Punteranous and in great shape. Could be used to bring things down from Salvador.

If a liaison is needed to work with the field I and [redacted] would suggest using [redacted] A Cuban who knows the area, knows the groups and the terrain.

V. Project Hope

Spent over an hour on the phone with Dr. Walsh tonight (Wednesday). He was beside himself. Duemling okayed the Grant for $6.9 million for medical goods this afternoon, then an hour later one of his people call John and told him they got to change the Grant and want to lower the amount. Walsh was furious and wants to know what is going on. To add to that Calero wants to cut the Grant, yet Duemling has already committed to Dr. Walsh the $6.9 million. Hopefully it will be worked out to Dr. Walsh's satisfaction.

HAPPY THANKSGIVING

EXHIBIT RWO11

TO: BG FEBRUARY 10, 1986

FROM: TC

SUBJECT: UPDATE

The following is a pot-pourri of information which you may or may not already know; some of which I need some help on or some answers.

- The attached paper by Bruce Cameron and Penn Kemble is the best piece I have seen written on what needs to be done to help get the project back on track. Without some fundamental changes in the near future it is in trouble. The paper is missing a few things, but it has caught the essence of what is wrong and what can be done to improve the situation. The comments are mine, plus another'

- There is a group in Costa Rica,which has several members sitting on UNO's Advisory Board, which is writing a letter to Abrams and the U.S. Embassy in Costa Rica saying they want to see UNO succeed, but unless there are changes made, it will fail. The Nicaraguan community at large see UNO,as well as the FDN, as entities organized and bought and paid for by the USG. They are looking to the USG to show leadership to clean them both up. Without the USG pushing and pulling Adolfo Calero and his people into an agreement to open up the leadership of the FDN and UNO, there will be no trust, no unity, and no chance of defeating the Sandinistas without direct U.S. military involvement.

- Attached is a list of items Negro would like to be given so he can equip another column of about 200 people. The group that went in last week will be in place in the next few days. They are expecting an airdrop of some 15,000 lbs in the next ten days, yet NHAO does not know about it, [redacted] does not know what is to be dropped and Negro has never been asked what his people need. If the supplies are not delivered when they are supposed to be, our credibility will once again be zero in the South. Also attached is a break down of the column which entered.

  Regarding the items, this list is just the first. Once the column reaches its destination, they will request a large amount of goods and they have been promised they will get what they need. Who is to be the contact for these goods, and who is to see that they are delivered? A critical stage is being entered in the Southern Front and we have to deliver.

- I am attaching the photo copy of an envelope and letter Negro received from the UNO office in Miami. I am doing this so you can see the incompetence of the UNO office. As you know, Negro is in Costa Rica illegally, look at the envelope. These people don't know they are even in a war - they think they're running a business.

- The brief outline of a possible maritime project on the Atlantic Coast was written by an individual who is now working as the logistics coordinator for the South. He is Cuban and has good contacts in Costa Rica and Miami. There are those who want to help. Do they go ahead with trying to pull this together, and if so who do they work with or under?

- Two of Congressmen Robert Dornan's staff were in Costa Rica with Pastora in January. They met with his commandantes and told them that the USG was going to give aid to Pastora. You might want to suggest to Dornan to keep his people on a leash. They are: Raul Silva and William Brashears.

- Jenelee Hodgeson wants to resign as the Kisan leader in Costa Rica. She has said she will stay on 2 more months. She is fed up with the infighting from a certain group of Indians who plot constantly against her. She is the only positive thing going for Kisan in the South. She should be used by UNO as a symbol. She is black, a woman, and a preacher. Have her meet the President as a symbol of the freedom fighters.

- I met with Samuel Mercado, Brooklyn's number 2, on Friday February 7. He said Brooklyn would like to talk with me. They are asking for aid to go inside. A couple of their people have already received radio training and we are providing a boat and some material for a few of his boys to go inside and begin to locate possible sights for resupply. Do I talk with Brooklyn?

  Brooklyn is once again a personality to be dealt with. With his latest escape and the film footage which is supposedly going to be shown on a Nightline, he will have tremendous credibility, and he is a darling of the liberals. Someone should be thinking of how to deal with him. Mercado did say they would be willing to work with Kisan, provided certain elements are not involved.

  The Agency should do a debrief of the whole rescue effort and the escape. Certain things do not jibe, such as how long did it take them to get to San Andres, and when did they leave. Brooklyn's people were saying they had radio contact with his groupup to and including the night they were supposed to be on the high seas. There are just some questions.

- When Jack Singlaub was in Washington, I am told his hotel room was broken into and an intelligence report was stolen. This report was put together by Bill Kenny, an individual who has been working with Jack and Heinny Aterholt (sp?). Bill is a competent individual and a straight shooter. He has spent alot of time in Guatemala and just returned before sending the report to Jack. Was in Hondo too

  According to Bill, his report was not favorable to the Calero brothers and it included bank account numbers in Europe and the Carribbean. Seacords name was mentioned as well as Klines. Bill did not want to talk about it at great length over the phone, but did say he would give me a copy and fill me in when he sees me. This will probably be next week.

- The bill from the law firm comes from them putting together that paper on setting up some corporations. Do you think you could cover it? It is for $532.37.

- GAO is investigating me and asking a number of questions, including why I am being paid by NHAO and what exactly do I do?

- No doubt you know the DC-4 Foley got was used at one time to run drugs, and part of the crew had criminal records. Nice group the Boys choose. The company is also one that Mario has been involved with using in the past, only they had a quick name change. Incompetence reins.

- CMA is back in town. They are speaking in front of Sam Dickens group. They want to help and are searching for ways to. Meanwhile Bob Brown is trying to send some of his people back down to help the Indians.

AND HOW IS YOUR WEEK GOING?

EXHIBIT RWO12

TO: BG FOR YOUR EYES ONLY FEBRUARY 27, 1986
FROM: TC
SUBJECT: PRESENT SITUATION

THE KEY POINTS YOU SHOULD KNOW ARE:

- ON TUESDAY, 2/25 ARTURO, ULVERT, CAMERON, AND ARMSTRONG WIGGENS MET WITH MCCURDY AND SOME 15 MEMBERS.

  ARTURO EXPLAINED UNO IS MOVING FORWARD WITH POSITIVE CHANGES. MCCURDY'S RESPONSE WAS THAT'S ALL WELL AND GOOD AND WE TRUST YOU AND ROBELO, BUT WE DON'T TRUST THE FDN. ACCORDING TO ULVERT, HE AND ARTURO DEFENDED ADOLFO AND THE FDN.

  MCCURDY PURPOSEFULLY ASKED WIGGENS TO SIT NEXT TO HIM. DURING ARMSTRONG'S TURN TO SPEAK, HE REVILED CALERO, THE FDN, KISAN, UNO, THE AGENCY AND ANYONE ELSE HE COULD THINK OF, WHILE SPEAKING IN GLOWING TERMS OF BROOKLYN AND BOS. MCCURDY IS REPORTED AS SAYING BROOKLYN WILL RECEIVE AID WHEN THE PACKAGE IS PASSED. AS HE WAS STATING THIS, ARMSTRONG PIPED IN THAT BOS SHOULD RECEIVE ASSISTENCE TOO AS IT IS TRUELY A REPRESENTATIVE BODY. MCCURDY WAS SAID TO AGREE.

  THE BOTTOM LINE FROM BOTH CAMERON AND ULVERT WAS THERE IS TREMENDOUS DISTRUST OF THE FDN AND THE ADMINISTRATION, AND A BELIEF THAT ROBELO AND CRUZ ARE JUST WINDOW DRESSING TO APPEASE CONGRESS. THE MEMBERS ASKED A NUMBER OF QUESTIONS RELATED TO WHERE THE PROGRAM IS GOING LONG TERM. WILL THE ADMINISTRATION BE BACK IN 18 MONTHS FOR MORE AID?

- A LIST OF FOUR SUGGESTIONS HAVE BEEN PRESENTED TO ELLIOT FOR THE BROADENING OF UNO. I UNDERSTAND HE THINKS THEY ARE A GOOD IDEA AND IS GOING TO ASK [redacted] TO SEE THAT THEY ARE MOVED ON. ELLIOT, THROUGH BOB KAGEN, HAS STRESSED FLEXIBILITY IN REGARDS TO ALL OF THEM. THE LIST WAS PRESENTED BY ULVERT AND CAMERON ON BEHALF OF ROBELO AND CRUZ WHO ARE IN AGREEMENT, AT LEAST THAT IS WHAT I UNDERSTAND.

  THE POINTS ARE:

  - BOSCO IS SENT OUT OF WASHINGTON. CARLOS, OR WHOEVER IS UNO'S REP IN WASHINGTON, DOES NOT WANT TO HAVE TO WORK WITH A PARRALEL FDN STRUCTURE. BOSCO IS NOT ACCEPTABLE AS A NUMBER 2 IN THE UNO OFFICE.
  - A NEW SECRETARY GENERAL IS NAMED FOR UNO. VALDEVIA IS DUMPED FOR BEING INEFFECTIVE. THE NEW SECRETARY GENERAL WILL HAVE MORE POWER AND BE MORE EFFECTIVE.
  - ALL FUNDS, BE THEY FROM OUTSIDE SOURCES OR USG SOURCES, GO INTO AN UNO ACCOUNT. NO MORE PRIVATE FDN ACCOUNTS.
  - A COORDINATOR FOR THE TRIPLE A BE NAMED. THE OBVIOUS PERSON BEING SUGGESTED IS CRUZ. THIS IS NOT NECESSARILY A MAJOR POINT, AS IT IS NOT A MANDATORY CHANGE, JUST A SUGGESTION.

WHAT PEOPLE ARE TRYING TO DO IS TO DECLAW ADOLFO AND NOT ALLOW HIM TO USE THE FDN AS HIS PRIVATE ARMY. PEOPLE LOOK AT HIM AS HAVING THE POWER WHILE UNO IS AT HIS MERCY.

ACCORDING TO CAMERON AND ULVERT, THEY ARE NOT TRYING TO GET RID OF CALERO. THEY REALIZE HE IS INDESPENSIBLE AT THIS TIME. THEY WANT TO BROADEN AND STRENGTHEN UNO, WHILE MAKING IT A VIABLE ORGANIZATION. AFTER THE MONEY IS APPROPRIATED, THEY DON'T WANT ADOLFO AND THE FDN GOING BACK TO THE OLD WAYS OF IGNORING EVERYONE ELSE.

ON THE OTHER HAND, PENN KEMBLE BELIEVES THE FDN AND ADOLFO SHOULD BE LEFT ALONE AT THIS TIME BECAUSE THINGS ARE SO FRAGILE.

BOSCO IS BAD MOUTHING ULVERT AND SOME SAME SLANDERING HIM. ULVERT IS TO THE POINT HE WILL NOT WORK WITH BOSCO. IF BOSCO STAYS, HE WON'T TAKE THE JOB.

- ULVERT WAS IN WASHINGTON OVER A WEEK AND HE WAS NEVER CONTACTED BY THE AGENCY. ON SATURDAY, THE AGENCY CONTACTED SAN JOSE ASKING THE STATION TO LET THEM KNOW HOW TO GET IN TOUCH WITH HIM; HE HAD ONLY BEEN IN WASHINGTON A WEEK BY THEN.

  ULVERT WAS NEVER CONTACTED BY ANYONE ABOUT HIS APPOINTMENT. HE ONLY HEARD ABOUT IT THROUGH THE GRAPEVINE, AND IT WAS ASSUMED HE KNEW.

  WHILE IN WASHINGTON, HE MET WITH A NUMBER OF PEOPLE INCLUDING: ABRAMS, KAGEN, MCCURDY ET ALL. NOT THAT IT MATTERS, BUT HE STILL IS AN ASSET.

- WEDNESDAY, FEBRUARY 26, ULVERT, CRUZ, AND JAMES LEMOYNE OF THE N.Y. TIMES LEFT FOR TEGU AND THE GRADUATION. ROBELO IS SUPPOSED TO MEET THEM THERE.

- THE LETHAL SUPPLIES WERE STILL IN ILLO AS OF THE BEGINNING OF THIS WEEK. THE AGENCY TOLD HONDURAS STATION EAST AND COMPANY ARE NOT TO MOVE THE GOODS. EAST SAYS HE WILL, BUT HE JUST NEEDS ANOTHER ACCOUNT TO CHARGE IT TO. DO YOU HAVE ONE IN MIND?

  LAST THURSDAY [redacted] TOLD ME IN TEGU THE CARRIBOUS WERE NOT TO BE FLOWN OVER THE BORDER, AT LEAST THIS IS WHAT WASHINGTON WAS TELLING TEGU. HE ALSO SAID IF THEY ARE FLOWN IN, GRINGOS ARE NOT TO FLY THEM, AND THEY CERTAINLY ARE NOT TO FLY LETHAL CARGO. EAST'S COMMENT IS "I'LL FLY ANYTHING ANYWHERE, JUST GIVE ME AN ACCOUNT."

- NEGRO'S PEOPLE ARE STILL WAITING FOR A DROP. AS A SHOW OF GOOD FAITH, THEY WANT 20,000 RDS OF FAL AND 20,000 RDS OF AK. ADVISE YOU CHECK ON WHERE THIS STANDS.

- THE TEAM OF BROOKLYN'S PEOPLE ARE STILL WAITING FOR SOME LETHAL HARDWARE TO TAKE IN WITH THEM. A REQUEST WENT FROM SAN JOSE BUT UNDERSTAND THERE STILL IS NO MOVEMENT. AM TOLD MAX CAN ACQUIRE THE NECESSARY GOODS IN CR FOR UNDER $6,000. ANY THOUGHTS?

- AM TOLD DUEMLING WAS ASKED BY ABRAMS TO STAY ON UNTIL JULY. IF THIS IS THE CASE, WOULD SUGGEST BUESSLER IS FIRED. HAVE MET NOONE WHO LIKES WORKING WITH HIM.

MY BIGGEST CONCERN IS THIS WHOLE EFFORT HAS TURNED INTO A THREE RING CIRCUS WITHOUT A RINGMASTER. THERE IS NO CENTRAL LEADERSHIP. ELLIOT AND STATE ARE TRYING TO FILL PART OF THE VACCUM, BUT THEY ARE NOT OPERATIONALLY ORIENTED.

A LOT OF LIP SERVICE IS BEING GIVEN TO THE EFFORT IN CONGRESS, BUT NOONE SEEMS TO KNOW WHO IS ORCHESTRATING THE LEGISLATIVE STRATEGY ON THE HILL. CAMERON AND ABRAMS ALONG WITH KAGEN SEEM TO BE AT THE HELM.

EXHIBIT RWO13

~~CONFIDENTIAL~~

TO: SC

FROM: TC

MARCH 17, 1986

SUBJECT: OVERALL PERSPECTIVE

The following report is broken down into several sections. It comes from my [illegible] ment over the last few weeks, but some of the thoughts have been perculating for some time. As I have been in a somewhat unique position these last two years, I have seen and heard a number of things and people are now coming to me with bits and pieces of information which I cann't fully evaluate, I can only pass it along.

FDN/UNO POLITICAL SITUATION

I put it as FDN/UNO because the FDN is now driving UNO, not the other way around. UNO is a creation of the USG to garner support from Congress. When it was founded a year ago, the hope was it would become a viable organization. In fact, almost anything it has accomplished is because the hand of the USG has been there directing and manipulating.

No doubt the hope was Cruz and Robelo would turn into strong leaders to somewhat counter-balance the strength of Calero and the FDN. Both Cruz and Robelo have been disappointments. Calero, on the other hand, has used his strength and will and the FDN to further consolidate his hold on the resistence and to gain control of UNO. Perhaps UNO is the correct acronym, for there is only one leader in the Democratic Resistance, Adolfo Calero.

As long as the USG understands this to be true, then it can go forward with planning. But, if USG agencies actually believe that UNO is a strong and functioning body that truely represents all factions of the Democratic Resistence, they are fooling themselves into believing something that is not true. This is dangerous for the USG and for the effort as a whole.

To understand this,one must look at what the FDN political structure represents. Calero is the strong man and the only one who counts in the FDN; what he says is law. Under him is his strong man, or enforcer, Aristedes Sanchez. Bermudez is in the inner circle but he is not 100% trusted, because he is seen as a potential rival for power. Also within the inner circle is Mario Calero. Off to the side, but still part of the group and acting more like temple guards are Bosco Matamoras (loyally devoted Washington rep) and Oscar Montes (the financial account). Both of these people are intensely loyal and will do whatever Adolfo says. The next ring down consists of the Tefel brothers, Hyme Morales, Statahos etc. None of these people can stand Robelo or Cruz. At every turn they will undermine them and do all in their power to see they are not given any power, thus the strength remains with Calero.

Should USG officials think any different than the above, they are not looking at the facts. If members of the USG think they control Calero, they also have another thing coming. The question should be asked, can and does Calero manipulate the USG. On several occasions, the answer is yes. Two examples are Mario Calero and Bosco. For well over a year, USG officials have wanted to remove these two, yet they remain. Why, because Calero won't budge, they are part of his security; to threaten them is to threaten him.

~~CONFIDENTIAL~~

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Box 5-1
12/17/86
RWK

I write the above only to point out the facts as I see them. Perhaps a strongman is the only thing Nicaraguans understand; perhaps Adolfo Calero is the man to lead Nicaragua back to democracy. He is a creation of the USG and so he is the horse we chose to ride. I have no problem with this, as long as we know and understand his short comings. The best way to point these out are to take a close look at who he keeps around him, only those who he intimately trusts. Unfortunately, they are not first rate people; in fact they are liars and greed and power motivated. They are not the people to rebuild a new Nicaragua. In fact, the FDN has done a good job of keeping competent people out of the organization. If it hasn't, then Nicaragua is lost forever with the type of leadership that has emerged.

Just one example of the lies which are told to keep the status quo [redacted] Dr. Tomas threatened to take the FDN medical corps on strike should Bosco be booted from Washington. [redacted] Tomas swore to me this was not true and no such thought ever entered his mind. He was used as one more reason to keep Bosco in place.

One other lie was spread by Mario, he told people [redacted] that NHAO had been responsible for putting the news crews on the DC-6. He was the one responsible, yet he blames others. This is just one example.

If the USG knows what and who it is dealing with that is all well and good, if it does not, it should learn.

NHAO FUNDING

NHAO was the worst possible vehicle which could have been devised to pay the bills. Because there is no verification it is impossible to ensure the integrity of the operation. The attached paper shows the amounts of money transferred into Miami accounts. As the black market exchange rate is about [redacted]2.75 to $1.00 while the legal rate is [redacted]2.00 to $1.00 and the suppliers are being paid at 2 to 1, there is about a 37% profit. Adolfo admitted to Duemling and Arcos he is splitting this 50-50 with Aquiles Marin, and AC's share is going to the war effort. Would you by chance know who Aquiles Marin is?

With all the money that has been deposited that adds up to about $2.3 million which is divided up between [redacted] the suppliers and the FDN. This does not even take into account the false receipts. For example, Francelia has received over $416,000 for medical goods. According to Tomas, up to last week he had spent maybe [redacted]250,000. There is some money going somewhere. I am not saying it is being pocketed, but there are questions unanswered.

[redacted] both Adolfo and Mario have accounts i Switzerland at Lloyds Bank International. I don't even know if there is such a bank. [redacted] Sanchez and his brother Cookoo (sp) have overseas accounts in the Dutch Netherland Antilles. [redacted] provide the account numbers, the recently retracted the offer. Don't know whether it is bullshit or not. If it is tr the USG is being had.

THE SEACORDS CONNECTION

What you had hoped to remain quiet is now openly being discussed on the street. For e

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the following names have been used in connection with Seacords operation:

- Tom Klines
- Larry Sterns
- George Stockman
- Patrice Gentry
- Peter (aka Pablo) Duncan

[redacted]

- One Lt. Col. Oliver North
- Star Production
- General Equipment and Leasing Corp. in Geneva
- Stanford Technologies Trading Group and Transfer Ltd. in Arlington.

The word is these people and companies have been involved in the procurement and tra-portation of arms and aircraft for the FDN. Some people are complaining these people making money on sweetheart deals and that the prices they are getting are not as goo as they could be.

On several occasions Adolfo even complained to me about Seacords and the deal he ha because Seacords is connected to Gadd, Adolfo has told people he had no choice but t use him.

Among the people talking openly about these deals are:

- Carl Jenkins
- Col. Bob K. Brown
- Ed Dearborn
- Individuals [redacted]
- Individuals in Miami

In all probability, they are talking and bad mouthing Seacords because they want part of the action. They are also blaming Seacords for whatever problem arises.

As an added problem, Mario told me in Miami why Adolfo and company are upset with me and freezing me out. I am looked on as the responsible party for a number of the pr that are having. They look at me as the one carrying the water for you. They are a saying I am intimately tied to Seacords. Among things they connect me to are:

- The purchase of the Mahls at a higher price than necessary
- Stopping the export of the Lady Ellen helicopter
- Bringing Gadd into the picture, which they are not happy with
- Stopping NHAO from funding the movement of the Push and Pull and the heliocourier, which were donated and are in Hawaii
- The use of Project Hope
- Being the Godfather and promoter of Carlos Ulvert
- Thus being responsible for the move against Bosco

Adolfo [illegible] may even have thought Seacords was the one behind his not being able to buy from th[redacted]

Granted, alot of this may be speculation on Mario's part and others, but the percept there. They want me out of the way; they do not trust me; and I do not believe they trust you anymore. There is still a belief the FDN can do it alone and does not need help.

CONFIDENTIAL

~~CONFIDENTIAL~~

[redacted]

Believe it or not, the [redacted] effort is making progress, or at least it was before State Department in its infinite wisdom decided it would be a good thing to help Pastora. If he is brought back in and given credibility, you can throw away the [redacted] Front.

The first hard intelligence mission inside [redacted] has taken place and the people are now out. Hopefully [redacted] was able to debrief [redacted] who was in command.

[redacted] have been ordered. They are being built in [redacted] the first one will be delivered in about two weeks. They will be equipped with [redacted] A [redacted] company is now being formed in [redacted] to provide cover for [redacted] A safehouse has been rented [redacted]

[redacted] is fronting the operation. He is willing to have an American come work for him under cover to advise the operation. I discussed this with [redacted] and brought up the name Bill Kenny, someone who was supposedly a member of Seal Team 1 and now works with Singlaub and Heiny Aterholt. I have met with him on a number of occasions and he seems up front and will to keep his mouth shut. [redacted] has agreed to have him used. Please chek him out. If he is okay, I'll take him down next week and put him in the hands of [redacted] and [redacted]

If we can get two [redacted] is willing to front [redacted] operation on the [redacted] I brought this up awhile ago and you agreed and gave me the name of a DEA person who might help with [redacted] I have not followed up because I have not been in Washington long enough, but will do so now if you think it appropriate.

[redacted]

Where to next on this one?

UNO and the FUTURE

I have been active in this cause since 1983 when I brought John Hull in to meet you. I have tried to give my all and to do my best. Hopefully I've contributed something. Perhaps the time has come for me to move on to other things. I am burned beyond beli My name has now openly been linked to you in Congress. I am looked on as your boy by Calero and gang, and thus nolonger trusted. Don't know what [redacted] and Company thin of me, but I don't think too much of the incompetence that has come out of the Agency

In fact, I have probably never been more discouraged. UNO is a name only. There is more and more fluff being added, but there is no substance. I care and believe in the

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

boys and girls, men and women who are fighting, bleeding and dying. But the reali see it is there are few of the so called leaders of the movement who really care ab the boys in the field. THIS WAR HAS BECOME A BUSINESS TO MANY OF THEM; THERE IS STI A BELIEF THE MARINES ARE GOING TO HAVE TO INVADE, SO LETS GET SET SO WE WILL AUTOMATI BE THE ONES PUT INTO POWER.

If the $100 million is approved and things go on as they have these last five years, will be like pouring money down a sink hole. The Agency has done a shitty job in the past, there is no evidence they are going to change, especially as they are going to have the same people running it as far as I know. State Department is no better. No one talks to each other, there is no coordination and there is little leadership. Without significant changes, things will not get better, they will get worse. The heavy hand of the gringo is needed.

Unless you believe I can continue to be of use to you or the project, I would like to move on. You once said [redacted] would like to bring me on contract if the money is approved. Right now, I have no desire.

I would like your blessing and help to get actively involved in counter terrorism. If there is something I can do with [redacted] that would be great. Frankly, I'd like to continue to work with you in some capacity. If this is not possible, I'd like some ideas.

Possible Solution

I have talked with several people about what can possibly be done to help turn things around in Nicaragua. One of the most glaring mistakes is we have no [redacted] thus we have to rely on what we are told by the FDN and the other gr

[redacted]

I would like to propose you meet with [redacted] who successfully established [redacted] and ran it uncovered for several years. He has written a short paper and I believe the time invested would be well worth it.

END of STORY

I have valued these last few years. I've learned a great deal and had fun doing it. I just hope I have been helpful.

I will continue in whatever position you recommend. You have been my Godfather throu this. I am here to serve my country, but I will not be involved if we are not serio and will not do what is necessary to make it work.

~~CONFIDENTIAL~~

EXHIBIT RWO14

TO: BG MARCH 28, 1986

FROM: TC

SUBJECT: TRIP REPORT

AIR OPS

The main thing to be learned from this latest exercise is: both lethal and non-lethal supplies destined for the south should be stockpiled at Cinncinatti. The FDN cannot be relied on to provide material in a timely matter.

Granted the situation in Honduras was hectic and coming apart at the seams, but that does not negate the fact that Sanchez did not want to supply the South in the first place. This [redacted] got from [redacted] after much himming and hahhing. The FDN rep at Cinci, one Capt. Lopez who is known for his straight forwardness with the press, even questions and complains about giving aid to the South. Chi Chi was even worried his messages to [redacted] were not going through. This did prove to be unfounded, but the doubt is there.

As Max, Steele, Chi Chi, Ramon and I sat and waited for something to move, we discussed the obvious options. A consensus was reached on several points. They are:

- Stockpile Cinci with lethal and non-lethal
- The Caribou, or better yet a C-123, can be loaded at Cinci, takeoff for points south, deliver and refuel at Point West on the way back to Cinci.
- Use of the L-100 is ideal to get things going until Point West is ready.
- In the future, suggest the pilot of the L-100 get a better pre-brief. He was in Washington on Sunday and part of Monday. An informal and unofficial briefing should have been setup with [redacted], as he was the one to debrief the people who the L-100 is dropping to..The pilot had questions I could not answer, which [redacted] easily could have.

  Along this same line, the pilot had certain questions about what to do in certain emergency situations, such as could he land in San Jose if necessary, or Palmorola. If this were to be the case, should he jetison the cargo etc.
- According to Max Gomez, the Salvos are being very helpful and were even willing to provide an A-37 to fly support for the L-100.

COMMUNICATIONS

A secure communications channel must be established between Cinci, Point West and [redacted] Would also suggest a channel be established between Cinci and UNO Sur radio shack so Cinci does not have to go through Tegu. This should also connect Point West and the radio shack.

SOUTHERN NEEDS

Was not able to talk with [redacted] before leaving the South, but was able to get a pretty good idea of the numbers and some of the needs. By commandante they are:

- Lionel, Navigante and Oscar are all fairly close to each other. A drop to one will be a drop to all. The original load requested for this trip on ammo would have been an excellent start, as they were originally in hopes of 20,000 rds of each. By upping it to 50,000 rds, we would have made them very happy.

  Other needs include: hand grenades
  M-79's
  M-79 rds
  RPG-7s
  RPG-7 rds
  light machine guns, M-60's, RPKs or RPDs

  They have need of 60mm mortars and 82mm mortars and shells.

- Genso&Franklin have verbally said they will accept aid from UNO. They would need a seperate drop. Possible sites were reconned by Risa when he went in, thus he was able to come out with coordinates.

  Ganzo has roughly 350 men. 60% with M-14s, the other 40% with AKs. Needs clips, ammo and support weapons. Has 2 RPG-7s and 2 M-79s.

  Franklin has an estimated 390men with roughly the same split in weapons, 60% M-14s and 40% AKs. Unsure of other weapons. Again, needs everything.

- Other estimated forces below the Rio Grand are approximately:

  - 1000 north of the Rama Road
  - 150 north of Rio Plata
  - 400 belonging to Samba, a Creole, above Bluefields

  These figures are sketchy as intel is poor.

SOUTHERN POLITICAL/MILITARY SITUATION

Tito Chamorro is back in the picture, this time representing Alfredo Ceasar. Some of the commandantes who said they would side with Negro and UNO/Farn now want to side with Ceasar. Tito is being the go between. To keep this from happening, a drop must go through as quickly as possible. Even now it may be too late.

Latest update on Pastora is he has about 170 people on the Rio San Juan and that is the extent of his troop strength.

MARITIME OPERATION

[redacted]

Exhibit RWO15

TO: WILLIAM APRIL 7, 1986

FROM: TC

SUBJECT: RECENT TRIP

INVESTIGATION

The investigative team was headed by Jeffrey Feldman, Assistant U.S. Attorney, Southern District of Florida. He had with him a Special Agent from Panama and two from Miami. They are Kevin Currier and George Kiszynski, who is with the Anti-Terrorist Task Force. In the past he has followed and been assigned to watch Felipe Vidal.

According to [redacted] Feldman looks to be wanting to build a career on this case. He even showed [redacted] and the Ambassador a diagram with your name at the top, mine underneath and John's underneath mine, then a line connecting the various resistance groups in C.R..

Feldman stated they were looking at the "big picture" and not only looking at a possible violation of the neutrality act, but at possible unauthorized use of government funds.

They went several times to the prison to question the five in jail. They tried to talk with John, but he was advised not to talk with them unless he had a lawyer present. John arrived in the U.S. on Saturday, so they will probably try to track him down.

Attached are several letters John has received from the people in jail. There also is a notorized statement by one Steven Carr, who has done most of the talking. In it he states Martha Honey and Tony Avirgan told him what to say. These two "reporters" are nothing more than disinformation experts, and they are after me and you.

If and when I am contacted by the FBI I will not answer any questions without an attorney present. Even then, I will not answer any questions. It is the only way I can see to stem the tide.

Perhaps it is time I retire from this line of work and focus on another part of the world and against another group of Godless communists.

UNO POLITICAL SITUATION

Had a lengthy discussion with Alfonso. He and Arturo are going to give it one last try for meaningful reform in UNO. If some changes are not made, they both see no reason to continue.

Among the changes, and these he considers minor, are the removal of Mario and Bosco. If these cannot be accomplished, he believes all is lost.

He is furious with Bermudez and believes there must be some action taken. Don't believe he'll demand his removal, but will want some response to the Front Line report. Believes Aristedes must go, or at least his power considerably deminished.

He arrives in Miami on Tuesday and then there is a meeting in Miami on Wednesday with all the boys. Both he and Cruz would like something positive to come from it.

A big concern he voiced is the problem with corruption. On two seperate occassions he said " I believe Adolfo Calero is an honest man. I don't believe he would steal or that he is corrupt." He did not say the same about Mario or Aristedes. He asked a number of questions regarding what I knew about possible corruption, and what is going on at NHAO.

On last Tuesday, Adolfo sent Carlos Ulvert a press release he had written as a response to Senator Hartkins accusations. Adolfo wanted it released under UNO. According to Carlos, the first paragraph stated something to the affect: "The United Nicaraguan Opposition takes full responsiblity for the distribution of all humanitarian aid provided by NHAO." Carlos did not release it as Justice said no, and because Adolfo had not cleared it with Cruz and Robelo. Don't know what happened to it.

My only observation is: unless some viable changes are made and Adolfo enforces them amongst the FDN, UNO will fall apart. It also should be kept in mind that there is speculation Adolfo and Alfredo Cesar have been talking and may strike a deal on the side so that if Robelo and Cruz jump ship, Adolfo and Cesar will join together.

SOUTHERN MARITIME OPERATIONS

On Friday, the third successful trip into Nicaragua was made by our maritime group.

A cover operation has been established in [redacted]and we soon will beable to send in several trips a week. One boat is fully operational, another should be ready in 15 to 21 days and a third 21 days later.

The operational part is being run strictly without Nicaraguans, except for the boat operators on each trip. The local port officials are aware of the operation and approve, providing they don't get caught with arms and there are not a number of Indians running around.

[redacted] suggested it might be time to send down Bill Kenney as we are moving into the operational mode. It would be better to get him situated now rather than later.

The boats we are having built are 28ft fiberglass with small cabins and twin 100 hp engines. Top speed should be about 50 mph. They will be equiped with radar and depth finders as well as radios. Top price is estimated to be $30,000.

Under the new company that has been formed to act as a cover, we will beable to bring in [redacted] boats duty free and legally. Not bad.

TC

Am good at where I am for another 45 days or so. Have thought about resigning from there because of all the heat, but will stick it out if you think it appropriate. I do not want to do anything that will end up causing you problems, but that time has probably already come and gone, and as some would say "We's in too deep now to turn back."

No question, I am a hot property, as even people on the Hill are asking questions about me. I want to see this through, but not at the cost of jeopardizing it, as I am the only one out on a limb with a genuine safety net or fall back position.

WHERE TO NEXT?

EXHIBIT RWO16

cc [illegible] 4/10/87

[illegible] to [illegible] B098 by Arturo Cruz on 10/7/85

S 4430

October 3, 1985

cc given to T. Smiljanich on 4/9/87
(Sen. Select Com.)

Ambassador Robert Warner Duemling
Nicaraguan Humanitarian Assistance
Office
1701 North Fort Meyer Drive
Arlington, Virginia

Dear Mr. Ambassador:

It has become apparent that UNO and even perhaps NHAO will have to rely, to a certain extent, on outside organizations and people to accomplish certain tasks, both in and outside of the United States. To facilitate this, from time to time UNO will find it imperative to designate organizations or people to act on behalf of UNO and to work with NHAO.

The purpose of this letter is to request that NHAO recognize, use and work with to the greatest extent possible the Institute for Democracy, Education and Assistance (IDEA) as such a designated organization. IDEA's representatives can coordinate and/or act as liaison for the procurement, transportation and distribution of goods and services provided through NHAO, or it can act in anyother appropriate role. We believe IDEA can be mutually beneficial to NHAO and UNO.

IDEA is a 501 (c)(3) tax deductable, non-profit, tax-exempt organization chartered and incorporated in the District of Columbia. The current president is Robert Owen, an individual known and trusted by us.

IDEA will agree to work on behalf of UNO provided it is reimbursed for all out of pocket expenses associated with this effort including but not limited to: transportation, telephone and communications, reasonable office expenses, compensation for staff, accounting and legal counsel etc. It is our understanding NHAO can provide this funding if requested by us.

Please consider this a formal request.

We would like IDEA to receive a monthly donation of $4,850 for the full time services of Mr. Owen, plus the cost of personal insurance, FICA, and other reasonable costs. We request this,and other expenses incurred by IDEA,be provided by NHAO for the duration of this project, or until mutually decided otherwise.

S 4431

Ambassador Duemling
October 3, 1985
Page 2

IDEA has our permission to retain or subcontract individuals, organizations or corporations which may be helpful in fulfilling its objectives. For example, Dr. Verne Chaney is knowledgeable of the medical situation and needs in the North, South and on the Atlantic coast. He has visited our camps and knows our doctors and has their trust. We would like him to act as our medical representative in the United States and,in consultation with our people on the ground,provide advice and input on medicines and equipment to be purchased with NHAO's funding. We would like him retained by IDEA on a per diem basis plus expenses.

Should representatives of IDEA or others have to travel, we request they receive their travel costs plus a per diem based on the State Department rate as well as their daily rate.

As this whole undertaking is as new to you as it is to us, we wish to make things easy; we want the project to run smoothly and requests processed in a timely manner with as little bureaucracy as possible while abiding by the constraints imposed. We have confidence IDEA can help accomplish these ends.

We understand the pressures you are under, but we do want to move forward as quickly as possible. At your earliest convenience, please let Mr. Evenor Valdivia know if this request is acceptable. If it is not, please inform him what you would suggest.

Sincerely,

Adolfo Calero
Arturo J. Cruz
Alfonso Robelo

CC: Evenor Valdivia

EXHIBIT RWO17

cc to rbd 4/10/87

Nicaraguan Humanitarian Assistance Office

S 4418

November 6, 1985

Mr. Robert W. Owen
The Institute for Democracy, Education and Assistance, Inc.
1028 31st Street, N.W.
Washington, D.C. 20007

Subject: Grant No. NHAO - 641002

Dear Mr. Owen:

Pursuant to the Authority of the International Security and Development Cooperation Act of 1985, Chapter V of the Supplemental Appropriations Act, 1985, and the Foreign Assistance Act of 1961, as amended, and Executive Order 12530 of August 29, 1985, the Nicaraguan Humanitarian Assistance Office ("NHAO") hereby grants to The Institute for Democracy, Education and Assistance, Inc. ("the Grantee") the sum of U.S.$50,675 for the purpose of providing humanitarian assistance to the Nicaraguan democratic resistance.

This Grant is effective and obligation is made as of the date of Grantee's acceptance of this letter and shall apply to valid expenditures for allowable costs made by the Grantee in accordance with the terms and conditions of the Grant during the period beginning October 28, 1985 and ending April 12, 1986.

This Grant is made on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1.

Please sign the original and two copies of this letter to signify your acceptance of the terms and conditions of the Grant as agent for the Grantee and return the original and one copy to the Nicaraguan Humanitarian Assistance Office.

Sincerely yours,

R.W. Duemling

Robert W. Duemling,
Director

S 4419

ACCEPTED:

THE INSTITUTE FOR DEMOCRACY, EDUCATION AND ASSISTANCE, INC.

BY: Robt W. Owen
(Authorized Agent)

Title: President

Date: November 7, 1985

FISCAL DATA:

115/60062 - 2017 - 641002 - 010400 - 0000 - 4190 - 500000

OBLIGATED AMOUNT:

Fifty Thousand Six Hundred Seventy-Five U.S. Dollars
(U.S.$50,675)

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ATTACHMENT 1

TERMS AND CONDITIONS OF THE GRANT

Section 1. Purpose of the Grant

The purpose of the Grant is to finance allowable costs incurred by the Grantee in providing food, clothing, medicine and other humanitarian assistance to the Nicaraguan democratic resistance. Notwithstanding any other provision of this Grant, no funds provided under the Grant may be diverted (through barter, exchange, resale or other means) for the acquisition of, or used to facilitate the acquisition of, weapons, weapons systems, ammunition or other equipment, vehicles, or material which can be used to inflict serious bodily harm or death.

Section 2. Allowable Costs

To the extent consistent with the Purpose of the Grant, funds provided hereunder may be used by the Grantee to defray the following costs:

(1) compensation computed at a rate not to exceed $3850 per month for the full-time services of Mr. Robert W. Owen, as described in Section 4;

(2) reasonable and necessary costs of travel for Mr. Robert W. Owen to and from such locations as the United Nicaraguan Opposition shall direct, subject to the limitations set forth in Section 5;

(3) overhead costs as described in Section 6, at a rate not to exceed $500 per month; and

(4) reasonable and necessary costs of legal and accounting services, in a total amount not to exceed $2000 and subject to the limitations set forth in Section 7.

Section 3. Disbursement of Funds

Section 3.1 Designation of Payee

All funds under this Grant shall be disbursed by payment to a bank account in the name of The Institute for Democracy, Education, and Assistance (Account Number 00542399, Perpetual American Bank, Washington, D.C.)

Section 3.2 Advance Payments

Notwithstanding any other provision of this Grant, all Grant funds to be used to finance allowable costs incurred in

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providing monthly compensation to Mr. Robert W. Owen, as described in Section 5 of this Grant, and allowable monthly overhead costs, as described in Section 7 of this Grant, shall be disbursed by means of periodic advance payments in accordance with the following schedule. NHAO shall make a periodic advance payment in the amount of U.S.$4350 on or about the thirteenth day of the months of November and December of 1985 and January, February, and March of 1986. NHAO shall make a final advance payment of U.S.$2175 on or about March 28, 1986.

Section 3.3 Reimbursement Payments

All Grant funds to be used to finance allowable costs not specified in Section 3.2 of this Grant shall be disbursed by means of reimbursement payments, ordinarily to be made in conjunction with the next scheduled periodic advance payment. The Grantee may obtain reimbursement of allowable costs by submitting financing requests to NHAO. In the case of requests for financing of allowable costs for travel, such requests shall consist of the documents specified in Section 5.4. In the case of requests for financing of allowable costs for legal and/or accounting fees, such requests shall consist of the documents specified in Section 7. No disbursement shall be made with respect to financing requests submitted after April 30, 1986.

Section 3.4 Separate Bank Account

All payments to the Grantee shall be deposited and maintained in a separate bank account, upon which all checks for payment of allowable costs by the Grantee shall be drawn.

Section 4. Services Required of the Grantee

As a condition of the receipt of this Grant, the Grantee agrees:

(1) that it shall employ Mr. Robert W. Owen on a full-time basis upon such terms and conditions as they shall mutually agree, subject to the purpose, terms and conditions of this Grant;

(2) that it shall make available to the United Nicaraguan Opposition the full-time personal services of Mr. Robert W. Owen;

(3) that the services to be rendered by Mr. Robert W. Owen shall include, as the United Nicaraguan Opposition may direct, assisting the United Nicaraguan Opposition in preparing proposals to NHAO for humanitarian assistance grants, administering grants from NHAO to the United Nicaraguan Opposition, and performing any other service for the United Nicaraguan Opposition that is reasonably related to providing food, clothing, medicine and other humanitarian assistance to the Nicaraguan democratic resistance; and

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(4) that Mr. Robert W. Owen shall not during the term of this Grant perform any service which is related to the acquisition, transportion, repair, storage or use of weapons, weapons systems, ammunition or other equipment, vehicles or material which can be used to inflict serious bodily harm or death.

Section 5. Travel

Section 5.1 Allowable Travel Costs

Allowable travel costs shall be as follows:

(1) the cost of round-trip economy class air fare between the Washington, D.C., metropolitan area, any point in the continental United States and any point in Panama and Central America;

(2) the cost of reasonable and necessary ground transportation for Mr. Robert W. Owen while engaged in Grant-related travel outside the Washington, D.C., metropolitan area; and

(3) a *per diem* payable to Mr. Robert W. Owen for each day or portion thereof that he is engaged in Grant-related travel outside the Washington, D.C. metropolitan area, *provided*, however, that such *per diem* shall not exceed the standard Department of State *per diem* for travel to the same location;

Section 5.2 Use of U.S. Air Carriers

Notwithstanding any other provision of this Grant, the cost of air travel shall be allowable only if made on U.S. air carriers to the extent that service by such carriers is reasonably available.

Section 5.3 Limitation on Allowable Travel Costs

Notwithstanding any other provision of this Grant, the total amount of allowable travel costs under this Grant shall not exceed $24,750.

Section 5.4 Receipts and Other Proofs of Expense

Notwithstanding any other provision of this Grant, costs of travel ordinarily will be disallowed unless supported by documentation as described below:

(1) in the case of travel outside the Washington, D.C., metropolitan area, a trip report setting forth a complete itinerary of travel, including dates and times of departures and arrivals, and copies of ticket receipts for all air travel;

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(2) with respect to ground transportation expenditures in the amount of $15.00 or less, a written statement of the place of departure, the destination, and the date, purpose and cost of the travel;

(3) with respect to ground transportation exenditures in excess of $15.00, a written receipt.

Section 6. Overhead Costs

The Grantee may charge against Grant funds a flat rate of $500 per month for the cost of its overhead. No additional amount for overhead costs shall be allowed.

Section 7. Legal and Accounting Fees

The Grantee may charge against Grant funds reasonable and necessary costs of legal and accounting fees incurred in connection with this Grant. Notwithstanding any other provision of the Grant, such costs ordinarily will be disallowed unless supported by a statement on the letterhead of the legal or accounting firm which supplied the service setting forth the total amount of payment which is sought, the names of persons who rendered professional services to the Grantee for which payment is sought, the hourly rate at which each such person's services are billed, the number of hours of professional service which each such person rendered for the benefit of the Grantee during the billing period, a detailed description of the nature of the services rendered, the dates on which such services were rendered, and an itemization of the nature and cost of all other expenses for which payment is sought.

Section 8. United Nicaraguan Opposition

As used in this Grant, the term "United Nicaraguan Opposition" refers collectively to Adolfo Calero, Arturo Cruz, and Alfonso Robelo. The phrase "as the United Nicaraguan Opposition shall direct" and the like refer to directions given by any one of the three above-mentioned persons or his agent.

Section 9. Records

The Grantee shall collect, maintain and furnish NHAO or its designee with such information relating to the services financed by this Grant and the performance of the Grantee's obligations under this Grant as NHAO shall specify.

Section 10. Suspension

If at any time:

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(a) the Grantee fails to comply with any provision of this Grant;

(b) the Grantee makes any deliberate misrepresentation with respect to information furnished to NHAO in connection with this Grant;

(c) any event occurs which, in the view of NHAO, makes it improbable that the purposes of the Grant will be attained; or

(d) any event occurs which, in the view of NHAO, creates reasonable cause to believe that the Grantee will fail to satisfy its obligations under the Grant;

then NHAO may suspend the Grant, decline to make additional disbursements under the Grant, and, with respect to the most recently disbursed periodic advance payment to finance allowable costs for compensation and overhead, demand a refund of a pro rata amount of this payment based on the number of days remaining in the calendar month in which the payment is made, except that any pro rata refund of the March 28, 1986 advance payment shall be based on the number of days remaining in the period of time from March 28 until April 12, 1986.

Section 11. Termination

This Grant may be terminated by NHAO at any time upon written notice to the Grantee. Upon receipt of a termination notice, the Grantee shall take immediate action to minimize all expenditures and obligations financed by this Grant and shall cancel such unliquidated obligations whenever possible. In the case of the most recently disbursed periodic advance payment to finance allowable costs for compensation and telephone charges, the Grantee shall refund a pro rata amount of this payment based on the number of days remaining in the calendar month in which the payment is made, except that any pro rata refund of the March 28, 1986 advance payment shall be based on the number of days remaining in the period of time from March 28 until April 12, 1986. Funds obligated by NHAO but not disbursed to the Grantee at the time the Grant is terminated shall revert to NHAO.

Section 12. Representatives

Grantee has designated Mr. Robert W. Owen as its agent for all purposes under this Grant. NHAO may accept as authorized any instrument signed by such agent until receipt of written notice of the revocation of his authority. Any communication sent to such agent shall be deemed to have been sent to the Grantee.

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Section 13. Nondiscrimination

No person in the United States, consistent with the laws of the United States, shall be subjected to discrimination under any activity funded by this Grant on the basis of race, color, national origin, age, handicap, or sex.

Section 14. Nonliability

NHAO does not assume liability for any third party claims for damages arising out of this Grant.

Section 15. Disputes

All disputes concerning the interpretation or operation of this Grant shall be decided by the NHAO Director, whose decision shall be final, except for review by a U.S. court of competent jurisdiction.

Section 16. Applicable Law

This Grant shall be governed by the laws of the United States of America.

Section 17. Amendments

NHAO may amend this Grant by written notice to the Grantee, which amendments shall become effective upon receipt of written notice of the acceptance of such amendments.

cc to FBI 4/10/87

Nicaraguan Humanitarian Assistance Office

S 4417

March 20, 1986

Mr. Robert W. Owen
The Institute for Democracy, Education and Assistance, Inc.
1028 31st Street, N.W.
Washington, D.C. 20007

Subject: Amendment 1 to Grant
No. NHAO - 641002

Dear Mr. Owen:

In accordance with Section 17 of NHAO Grant No. 641002, I am hereby notifying you as agent of the Grantee of NHAO's intention to amend such Grant in two respects, effective upon your acceptance of the amendments on behalf of the Grantee.

First, Section 10 of the Grant would be deleted.

Second, Section 11 of the Grant would be amended to read as follows:

"Section 11 Termination

"If at any time the Grantee fails to comply with any provision of this Grant or makes any deliberate misrepresentation with respect to information furnished to NHAO in connection with this Grant, then NHAO may terminate this Grant by written notice to the Grantee. Upon receipt of a termination notice, the Grantee shall take immediate action to minimize all expenditures and obligations financed by this Grant and shall cancel such unliquidated obligations whenever possible. In the case of the most recently disbursed periodic advance payment to finance allowable costs for compensation and overhead costs, the Grantee shall refund a pro rata amount of this payment based on the number of days remaining in the calendar month in which the payment is made, except that any pro rata refund of the March 28, 1986 advance payment shall be based on the number of days remaining in the period of time from March 28 until April 12, 1986. Funds obligated by NHAO but not disbursed to the Grantee at the time the Grant is terminated shall revert to NHAO."

cc to FBI 4/10/87

Nicaraguan Humanitarian Assistance Office

S 4415

March 25, 1986

Mr. Robert W. Owen
The Institute for Democracy, Education and Assistance, Inc.
1028 31st Street, N.W.
Washington, D.C. 20007

Subject: Amendment 2 to Grant
No. NHAO - 641002

Dear Mr. Owen:

In accordance with Section 17 of NHAO Grant No. 641002, I am hereby notifying you as agent four the Grantee of NHAO's intention to amend such Grant in four respects, effective March 28, 1986.

First, the second paragraph of such Grant would be amended to read as follows:

"This Grant is effective and obligation is made as of the date of Grantee's acceptance of this letter and shall apply to valid expenditures for allowable costs made by the Grantee in accordance with the terms and conditions of the Grant during the period beginning October 28, 1985 and ending May 28, 1986."

Second, Section 3.2 of such Grant would be amended to read as follows:

"Section 3.2 Advance Payments

"Notwithstanding any other provision of this Grant, all Grant funds to be used to finance allowable costs incurred in providing monthly compensation to Mr. Robert W. Owen, as described in Section 5 of this Grant and allowable monthly overhead costs, as described in Section 7 of this Grant, shall be disbursed by means of periodic advance payments in accordance with the following schedule. NHAO shall make a periodic advance payment in the amount of U.S.$4350 on or about the thirteenth day of the months of November and December of 1985 and January, February, March, April and May of 1986."

Third, Section 3.3. of such Grant would be amended to read as follows:

S 4416

"Section 3.3 Reimbursement Payments

"All Grant funds to be used to finance allowable costs not specified in Section 3.2 of this Grant shall be disbursed by means of reimbursement payments, ordinarily to be made in conjunction with the next scheduled periodic advance payment. The Grantee may obtain reimbursement of allowable costs by submitting financing requests to NHAO. In the case of requests for financing of allowable costs for travel, such requests shall consist of the documents specified in Section 5.4. In the case of requests for financing of allowable costs for legal and/or accounting fees, such requests shall consist of the documents specified in Section 7. No disbursement shall be made with respect to financing requests submitted after June 15, 1986."

Fourth, Section 5.3 of such Grant would be amended to read as follows:

"Section 5.3 Limitation on Allowable Travel Costs

"Notwithstanding any other provision of this Grant, the total amount of allowable travel costs under this Grant shall not exceed $18,225."

If the proposed amendments are acceptable to the Grantee, please indicate by signing the original and both copies of this letter and returning the original and one copy to NHAO.

Sincerely,

R.W. Duemling

Robert W. Duemling
Director

ACCEPTED:

THE INSTITUTE FOR DEMOCRACY, EDUCATION AND ASSISTANCE, INC.

BY: Robert W. Owen
(Authorized Agent)

Title: President

Date: April 1, 1986

cc to FBI 4/10/87
140[illegible]

Nicaraguan Humanitarian Assistance Office S

4413

May 19, 1986

Mr. Robert W. Owen
The Institute for Democracy, Education and Assistance, Inc.
1028 31st Street, N.W.
Washington, D.C. 20007

Subject: Amendment 3 to Grant
No. NHAO - 641002

Dear Mr. Owen:

In accordance with Section 17 of NHAO Grant No. 641002, I am hereby notifying you as agent of the Grantee of NHAO's intention to amend such Grant in two respects.

First, the second paragraph of such Grant would be amended to read as follows:

"This Grant is effective and obligation is made as of the date of Grantee's acceptance of this letter and shall apply to valid expenditures for allowable costs made by the Grantee in accordance with the terms and conditions of the Grant during the period beginning October 28, 1985 and ending June 15, 1986."

Second, Section 5.3 would be amended to read:

"Section 5.3 Limitation on Allowable Travel Costs

"Notwithstanding any other provision of this Grant but subject to the total Grant amount, the total amount of allowable travel costs under this Grant shall not exceed $18,390."

If the proposed amendment is acceptable to the Grantee, please indicate by signing the original and both copies of this letter and returning the original and one copy to NHAO.

Sincerely,

R.W. Duemling

Robert W. Duemling,
Director

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Mr. Robert W. Owen
May 19, 1986
Page Two

ACCEPTED:

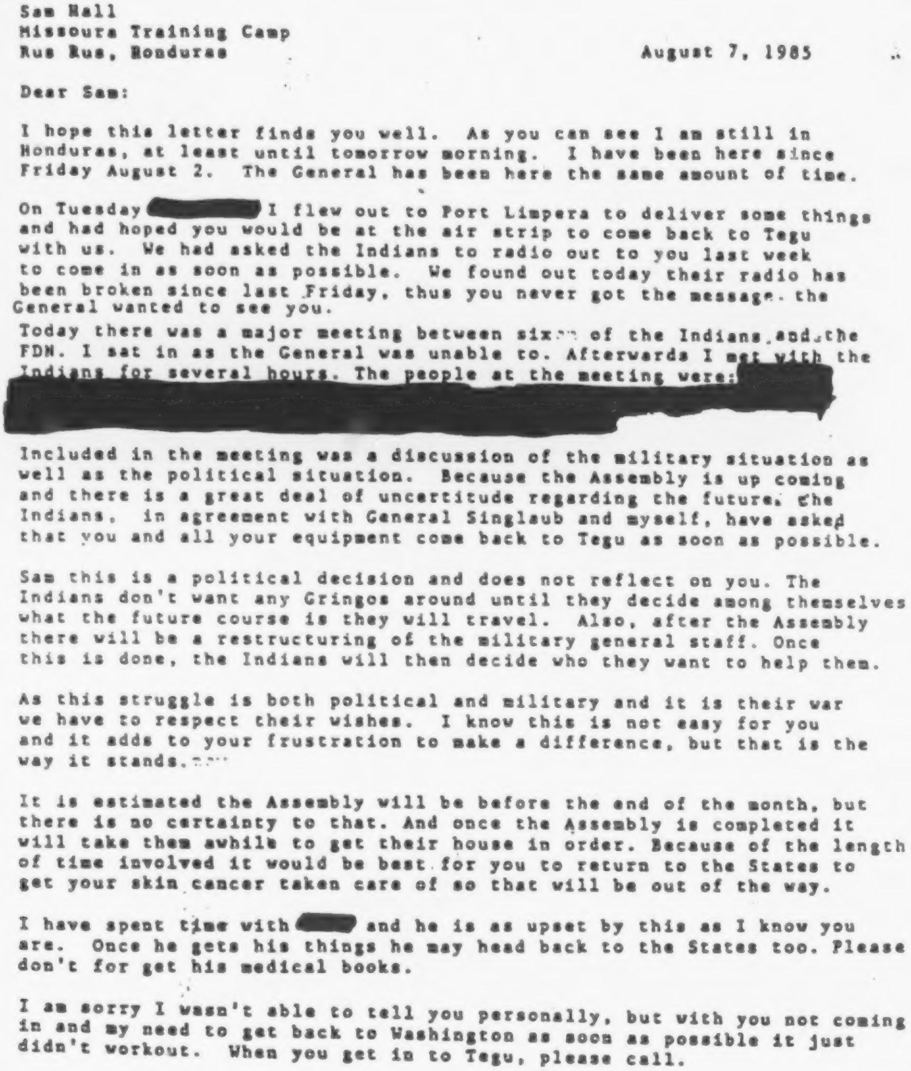
THE INSTITUTE FOR DEMOCRACY, EDUCATION AND ASSISTANCE, INC.

BY:______________________________
(Authorized Agent)

Title: Presdt

Date: May 19, 1986

EXHIBIT RWO18



Sam Hall
Missoura Training Camp
Rus Rus, Honduras

August 7, 1985

Dear Sam:

I hope this letter finds you well. As you can see I am still in Honduras, at least until tomorrow morning. I have been here since Friday August 2. The General has been here the same amount of time.

On Tuesday [redacted] I flew out to Port Limpera to deliver some things and had hoped you would be at the air strip to come back to Tegu with us. We had asked the Indians to radio out to you last week to come in as soon as possible. We found out today their radio has been broken since last Friday, thus you never got the message. the General wanted to see you.

Today there was a major meeting between six of the Indians and the FDN. I sat in as the General was unable to. Afterwards I met with the Indians for several hours. The people at the meeting were: [redacted]

Included in the meeting was a discussion of the military situation as well as the political situation. Because the Assembly is up coming and there is a great deal of uncertitude regarding the future, the Indians, in agreement with General Singlaub and myself, have asked that you and all your equipment come back to Tegu as soon as possible.

Sam this is a political decision and does not reflect on you. The Indians don't want any Gringos around until they decide among themselves what the future course is they will travel. Also, after the Assembly there will be a restructuring of the military general staff. Once this is done, the Indians will then decide who they want to help them.

As this struggle is both political and military and it is their war we have to respect their wishes. I know this is not easy for you and it adds to your frustration to make a difference, but that is the way it stands.

It is estimated the Assembly will be before the end of the month, but there is no certainty to that. And once the Assembly is completed it will take them awhile to get their house in order. Because of the length of time involved it would be best for you to return to the States to get your skin cancer taken care of so that will be out of the way.

I have spent time with [redacted] and he is as upset by this as I know you are. Once he gets his things he may head back to the States too. Please don't for get his medical books.

I am sorry I wasn't able to tell you personally, but with you not coming in and my need to get back to Washington as soon as possible it just didn't workout. When you get in to Tegu, please call.

[redacted]ge 2

You have worked hard and put in alot of time and effort, but as so often happens the best laid plans don't succeed. I'm sorry for the delay and the setback.

I am leaving $400 with [redacted] for your flight home. It is my understanding your $1500 has reached you account. The General had it traced to the major holding bank which owns your bank. If there is a problem, let the General know.

I am sure you have a myrid of questions running through your mind, probably the biggest being, "Will I come back?" That is something that only the Indians can answer and that will only be after their Assembly. At that time they will contact General Singlaub.

He has returned to the States today but I did talk with him this evening. He is in full agreement with the Indians and their decesion and understands the politics. He asked me to pass on his appreciation to you for always following orders and knows you will respect this one. When you get to Tegu please call him.

If the radio is working please have the Indians workout a pickup for you. Probably will be best done at Port Limpira. The FDN will provide it.

This letter has been given to [redacted] and he knows it is asking you to return. He will do everything [redacted]an to facilitate this.

Talk to you soon.

Rob

P.S. [redacted] had wanted to deliver this to you, but I asked him to remain in Tegu.

EXHIBIT RWO19

Rainbow Mission

This Mission was given birth two (2) months ago. In order to spend the hours, days, and weeks necessary to question, witness, play the devils advocate, research, and to critique the Misura warriors in combat, this writer had to necessarily become a self-centered creator and was to test the strength of my relationships with the Miskito.

The Miskito Command ([redacted], Amin, S1, S2, S3 & 4, along with Tango leaders 1 through 4 and Mobile 1 through 4) embraced this project with no less devotion than myself. We unselfishly gave everything: loyalty, astute and wise advice, and undaunting fervor in putting together this massive Mission.

The Miskito Command, possessed a mystical quality of understanding for what I wanted to do, and this Mission could scarcely have been written without such a group of partners at my side. Each day when I went into battle at my desk, all maps and facts, reports and the latest Intel were close at hand and immediate assistance was only a becon call away.

With all of the above, combined with my latest trip to Honduras this week past (latest and most upto date intel with Commandante et al) the Rainbow Mission will accomplish the following:

1. Stop all shipments of arms, ammo, food and medical supplies to the Sandanistas in the Atlantic coast area.

2. Control the Atlantic Coast that lies just above Bluefields all the way North to the Honduran Border.

3. Control of the East and West as far as the Bonanza-Rosita area.

By doing the following: (using all 1,800 Misura Warriors and at the same day, Zero Hour)

A. Blowing the Kukalaya I Bridge
B. Blowing the Kukalaya II Bridge
C. Blowing the Wawa Bum I Barge
D. Blowing the Wawa Bum II Barge
E. Blowing the Loading dock/wharf at Puerta Cabeza
F. Blowing the huge loading Crane at Puerta Cabeza
G. Mining the two main roads leading out of Puerta C.
H. Mining the Main road from the Sisen Bridge N. to Bord
I. Mining the main road from E. of P.C. to W. to Bonanza
J. Attack the large Military Airstrip at Puerta Cabeza
K. Attemp to fly-out or dismantel the spotted USSR Mi-24 at Puerta Cabeza Air strip that protects the Wawa Bum

L. Finally, in Guerrilla fashion, attack 40 different

Method:

1. I will provide all necessary TOYS to implement Mission.
2. Miskito will provide necessary personel to carry out Mission.
3. Anything and everything will be at my disposal.
4. Commando Base T.E.A. will be training site where all Miskito Commandos who have successfully taken the advanced training course (explosives, jumping,rapelling, etc. Approximately 20 in number) will be sequestered and after one week of testing, fourteen (14) will be picked. Security will be the tightest and no one will be allowed on or off the base without my permission.
5. One team of four (4) men and three (3) teams of three (3) will be picked.
   - a. 4-man team will be responsible for the U.D.T. blowing of the Wharf/loading dock and hugh crane at Puerta Cab.
   - b. one 3-man team will lead the assualt on the Air-Strip at Puerta Cabeza. This includes the attemp to dismantel the Hind-D or protect the attemp to fly it out if a pilot is provided. (this writer reccomends a third World participant; Vietnamees, etc.)
     This 3-man team will have a three-company size contingent giving cover. approx 180 men. The assualt will be a quick in and out and 60 mm mortars will pock mark the billiting area and the 10,000 plus runway
   - c. one 3-man team will lead a company size contingent and blow the Kukalayas I and II.
   - d. One 3-man team will lead another company size contigent and Blow the Wawa Bum I and II.

NOTE.....Every, repeat,EVERY tageted area has been detailed in drawings. All targets have been eye balled many times. Minute details and deminsions have been calculated. All targeted Bridges, Barges, and Wharfs have been built to scale. Every detail has been studied and every calculated amount of explosive needed in each designated target has time and time again been agreed upon by experts. Case in point, the 4-man U.D.T. team that will hit the Wharf/Dock and Crane at Puerta Cabeza has been there before. If it wasn't for some blasting Caps, they would have brought down 90% of the loading dock instead of the insignificant 10 % that did blow. As for the precise measurements and details of their target, they know how many cables are anchored to the Crane, that sits 86 meters off the beach on top of the Dock that is 176 meters long and they know how thick the anchor poles are 20' under water in a total depth of 62'.

The"Rainbow Mission"

At [illegible], while final fourteen (14) are being selected, all support companies will be taking final preperations and they will also take the next to last recon of their respective targeted sites in Nic and will lay in wait for their team leaders.

Zero day, minus 5, final fourteen (14) made up of four (4) teams will load up with their respective gear (approx 6000 lbs combined total) and be trucked at night to Puerto Lempira, (4 hrs). And then another 6 hrs southeast to the Atlantic coast.

All gear (6000 albs combined total) and four teams (14 men total) will load up into four (4) different boats. (RB-15's or aluminum crafts, with a minimum of 35hp.)

All four (4) boats will then head east out to sea (approx 10-12 miles) and then head south towards Cayos Miskitos Island. This portion or leg will be approximately 71 nautical miles.

Before finishing this 71 nautical leg to Cayos Miskitos Island, two (2) of the boats will break off and head west towards the coast of Nic and towards the vicinity of "Sandy Bay." Sandy Bay is owned by the Miskito and the three support companies will be lying in wait for their much needed supplies of arms, ammo and food. (this writer reccomends, knowing it won't be granted, an "air drop" to this area. Much time has gone into this possibility and since the Miskito troops control the real estate, and knowing how drastic the supplies are needed, a unmarked plane, coming out of the sun from the east, could drop a load of 17,000 lbs inside of 1000' at 146' per sec in less than 8 seconds. (this writer has two names,with planes to accomplish the afrementioned.) The drop zone is 14° 34' N 83° 25' W.

One of the boats carrying supplies to the Sandy Bay area, heads back out to sea and unites with the other waiting two boats at Cayos Miskitos Island. All three (3) remaining boats head south and after traveling 47 nautical miles more, the U.D.T. team of four (4) men breaks off and heads west to land 6 kilometers south of Puerta Cabeza. They will lay in wait and the two (2) remaining boats head futher south and put in to Wounta, where they will be met and the much needed supplies of arms, ammo food, etc will be taken. All of the boats will be hidden and the two teams will then load their own gear and explosives into dugouts and head up river (west) towards Liasicksen. This portion will take 6 hrs. From Liasicksen, the two teams will proceed northwest for another 6 hrs by dugout and put in at Lapan.

page 4....Rainbow continued

At Lapan, Yellow and Blue teams will split up and head out to their target sites on foot. Blue team will meet up with their company size backup and head for the Kukalayas which will take a two days march. Yellow team will head north and meet up with their company size back up and hold up in the Sukatpin mountains ,6 hrs march from Lapan.

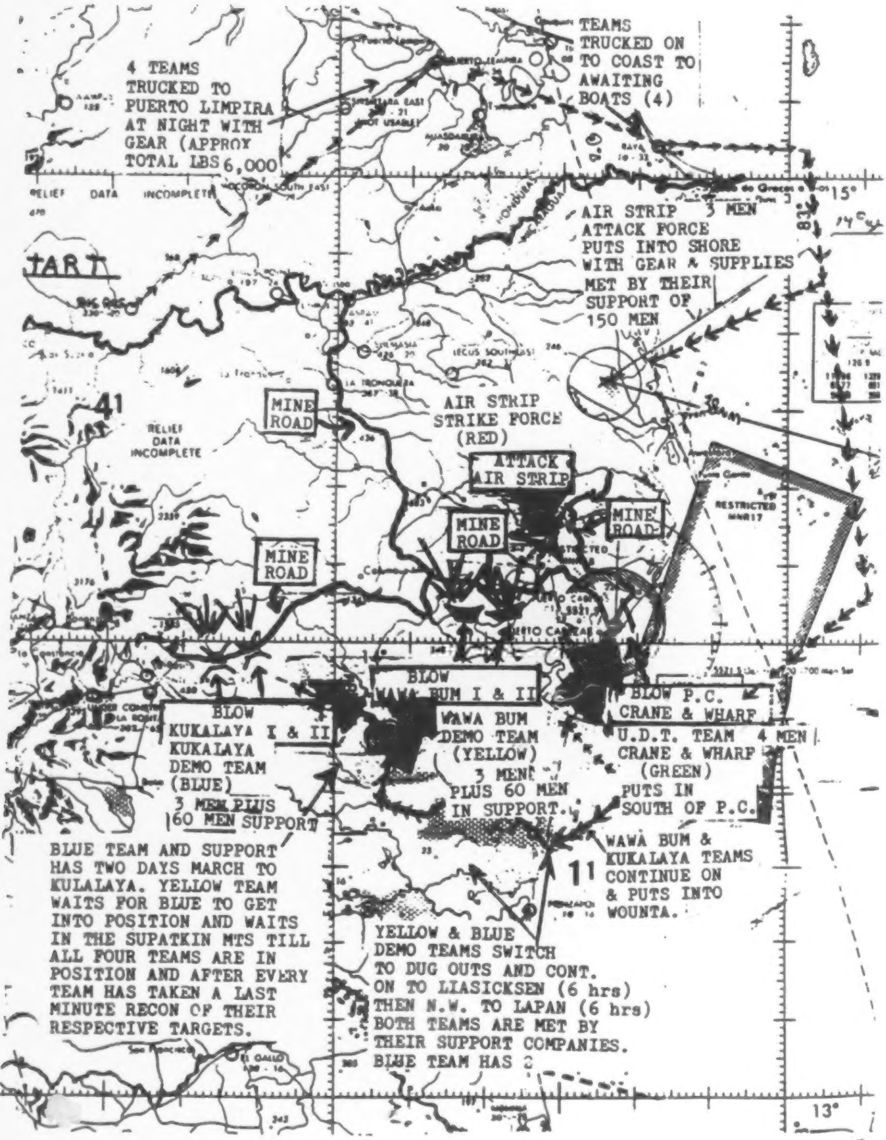
All teams being in place, each team leader (Blue team at the Kukalayas, Yellow team at the Wawa Bums, Green team at the Wharf/Dock at Puerto Cabeza, and the Red team that will attemp the Air Strip attack; all team leaders will send out the final small recon teams for their respective targets. Each team will then report by radio to me their latest recon intel and I and Miskito command (back in Honduras) will give the attack hour.

After attacks are complete, all four teams will pull out and head back to T.E.A. by way of their coming in.

ITEMS DRASTICALLY NEEDED FOR SUCCESS of RAINBOW

500	lbs of C-4
60	RDS of 60mm mortar (rockets)
50	HVY anti tank land mines
250	RDS for M79's
300	Grenades
30	Claymore mines
40	RPG RDS
8	SAM Groud to AIR Missles
4	SC-130 radios or 77's
30,000	RDS for AK-47's
24,000	RDS for M-16's
12,000	RDS for M-60's
400	M-16 Magazines
450	AK-47 Magazines
15	Cases MRE's
400	LBS of rice
400	LBS of Beans
30	LBS of rope
50	LBS of Medicine
8	55 Gallon drums of fuel, plus adequate Oil

Total weight of the above (approx) 6,080 Lbs.



4 TEAMS TRUCKED TO PUERTO LIMPIRA AT NIGHT WITH GEAR (APPROX TOTAL LBS 6,000

TEAMS TRUCKED ON TO COAST TO AWAITING BOATS (4)

AIR STRIP 3 MEN ATTACK FORCE PUTS INTO SHORE WITH GEAR & SUPPLIES MET BY THEIR SUPPORT OF 150 MEN

AIR STRIP STRIKE FORCE (RED)

BLOW KUKALAYA I & II

KUKALAYA DEMO TEAM (BLUE) 3 MEN PLUS 60 MEN SUPPORT

BLOW WAWA BUM I & II

WAWA BUM DEMO TEAM (YELLOW) 3 MEN PLUS 60 MEN IN SUPPORT.

BLOW P.C. CRANE & WHARF

U.D.T. TEAM 4 MEN CRANE & WHARF (GREEN) PUTS IN SOUTH OF P.C.

WAWA BUM & KUKALAYA TEAMS CONTINUE ON & PUTS INTO WOUNTA.

BLUE TEAM AND SUPPORT HAS TWO DAYS MARCH TO KULALAYA. YELLOW TEAM WAITS FOR BLUE TO GET INTO POSITION AND WAITS IN THE SUPATKIN MTS TILL ALL FOUR TEAMS ARE IN POSITION AND AFTER EVERY TEAM HAS TAKEN A LAST MINUTE RECON OF THEIR RESPECTIVE TARGETS.

YELLOW & BLUE DEMO TEAMS SWITCH TO DUG OUTS AND CONT. ON TO LIASICKSEN (6 hrs) THEN N.W. TO LAPAN (6 hrs) BOTH TEAMS ARE MET BY THEIR SUPPORT COMPANIES. BLUE TEAM HAS 2